SOUTH CAROLINA
TRANSPORTATION INFRASTRUCTURE BANK

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

SOUTH CAROLINA OFFICE OF THE STATE AUDITOR
1401 Main Street, Suite 1200 • Columbia, SC 29201

September 30, 2020

Members of the Board of Directors
South Carolina Transportation Infrastructure Bank
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Transportation Infrastructure Bank for the fiscal year ended June 30, 2020, was issued by Mauldin & Jenkins, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

George L. Kennedy, III

George L. Kennedy, III, CPA
State Auditor

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SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

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MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

Mr. George L. Kennedy, III, CPA
State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina

Members of the Board of Directors
South Carolina Transportation Infrastructure Bank
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the **South Carolina Transportation Infrastructure Bank** (the "Bank"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Bank's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the South Carolina Transportation Infrastructure Bank as of June 30, 2020, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the Bank's financial statements are intended to present the financial position and changes in financial position of only that portion of the governmental activities and the major fund of the State of South Carolina that is attributable to the transactions of the Bank. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2020, and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 9), the budgetary comparison information (on pages 56 through 58), Schedule of the Bank's Proportionate Share of the Net Pension Liability (on page 59), the Schedule of the Bank's Pension Contributions (on page 60), the Schedule of the Bank's Proportionate Share of the Net OPEB Liability (on page 61), and the Schedule of the Bank's OPEB Contributions (on page 62), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of the Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bank's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Columbia, South Carolina
September 30, 2020

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
Management's Discussion and Analysis

The following discussion and analysis of the financial performance of the South Carolina Transportation Infrastructure Bank (the "Bank") provides a narrative overview of the Bank's financial activities for the fiscal year ended June 30, 2020. The Management's Discussion and Analysis should be read in conjunction with the Bank's financial statements which follow. The Bank was established in 1997 to select and assist in financing major qualified projects by providing loans and other financial assistance to government units and private entities for constructing and improving highway and transportation facilities necessary for public purposes including economic development. The enabling statute is Section 11-43-120 of the Code of Laws of South Carolina.

The Bank is governed by its Board of Directors. The Board consists of seven voting directors as follows: one director appointed by the Governor who shall serve as chairman; one director appointed by the Governor; the Chairman of the Department of Transportation Commission, ex officio; one director appointed by the Speaker of the House of Representatives; one member of the House of Representatives appointed by the Speaker, ex officio; one director appointed by the President of the Senate; and one member of the Senate appointed by the President of the Senate, ex officio. Directors appointed by the Governor, the Speaker, and the President shall serve terms coterminous with their terms of office.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Bank's basic financial statements. The Bank's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. These components are described below:

Government-Wide Financial Statements

The *Government-Wide Financial Statements* provide a broad overview of the Bank's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Bank's financial position, which assists in assessing the Bank's economic condition at the end of the fiscal year. These financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This method of accounting is similar to that used by most businesses. The financial statements take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The Government-wide financial statements include two statements:

The *Statement of Net Position* presents all of the Bank's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in the Bank's net position may serve as a useful indicator of whether the mission of the Bank is successfully being implemented.

The liabilities and deferred inflows of resources of the Bank exceeded the assets and deferred outflows of resources as of June 30, 2020 resulting in a deficiency of $510.3 million. The mission of the Bank is to provide financial assistance for major transportation projects. The Bank does not own or maintain any of the projects. The Bank issues bonds and incurs other financing liabilities to construct the projects, which are donated to the South Carolina Department of Transportation ("SCDOT") for ownership and maintenance. As a result, the assets of the Bank are reduced while the debt remains. Conversely, SCDOT will record these projects as construction in progress or capital assets in its financial statements with no related liability. Approximately $1.1 billion of the Bank's net position is restricted to service the outstanding debt and to fund projects under commitment.

The *Statement of Activities* presents information showing how the Bank's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods, such as receivables from state agencies and county governments.

During fiscal year 2020, revenues exceeded expenses by $91 million resulting in an increase in net position as of fiscal year-end. This is primarily due to outlays for approved projects decreasing.

The Government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Bank, like other governmental agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Bank can be divided into two categories, governmental funds and fiduciary funds. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

Governmental Fund - The financial activity related to the mission of the Bank is accounted for in the governmental fund. The governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Bank's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Bank's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the Bank.

As of June 30, 2020, the fund balance in the Bank's governmental fund was approximately $1.054 billion. This fund balance is used for providing financial assistance to transportation projects and to service the debt related to providing that assistance. As of June 30, 2019 the fund balance was $1.047 billion.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Bank's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and the Bank's governmental activities. These reconciliations are presented immediately following each governmental fund financial statement.

The governmental fund financial statements can be found immediately following the Government-wide financial statements.

Fiduciary Funds - These funds are used to account for resources held for the benefit of parties outside of the Bank. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of these funds are not available to support the Bank's own programs. Fiduciary funds financial statements use the accrual basis of accounting. The Bank's fiduciary funds are the Horry County Loan Servicing Account and Horry County Loan Reserve Account which contain funds held by the Bank on behalf of Horry County to make loan payments due to the Bank from Horry County. On February 15, 2019 funds from both accounts were transferred to U.S. Bank, as Escrow Agent, to defease the Horry County RIDE Program Loan II – Ununsured, adopted by the Board of Directors of the Bank on January 10, 2019. The remaining funds not needed for defeasance were transferred to Horry County and the Agency Funds were closed.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and the fund financial statements. The notes to the financial statements can be found immediately following fiduciary fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS
Net Position

Net position may serve over time as a useful indicator of a government's financial position, or in the case of the Bank, for which liabilities will generally exceed assets, an indicator of whether the mission is successfully being implemented. The Bank's liabilities and deferred inflows of resources (all classified as governmental activities) exceeded assets and deferred outflows of resources by $510.3 million at the close of business on June 30, 2020 (see Table 1). The largest portion of the Bank's assets are non-current assets from loans and other contributions receivable from county and state governments. The largest portion of the Bank's liabilities are non-current liabilities which include bonds payable. As the mission of the Bank is to provide financing for transportation projects, but not own or maintain these projects, the Statement of Net Position will generally reflect a negative net position. The investment in infrastructure as a result of the projects financed by the Bank will be reflected on the financial statements of the SCDOT or other governmental entity which will own and maintain the roads.

Table 1
Statement of Net Position
(expressed in millions)

	Governmental Activities	
	June 30, 2020	June 30, 2019
Current Assets	$ 208.5	$ 196.0
Non-current Assets	903.8	918.0
Total Assets	1,112.3	1,114.0
Deferred Outflows of Resources	127.7	115.4
Current Liabilities	151.2	157.9
Non-current Liabilities	1,599.1	1,672.7
Total Liabilities	1,750.3	1,830.6
Deferred Inflows of Resources	-	-
Net Position:		
Restricted	1,047.3	1,071.6
Unrestricted net position	(1,557.6)	(1,672.9)
Total net position	$ (510.3)	$ (601.3)

The restricted portion of the Bank's net position represents amounts required for debt service of bonds and commitments to fund projects from bond proceeds.

Changes in Net Position

In fiscal year 2020, the Bank's net position increased by $91 million. The primary sources of program revenues are contributions and other payments made by state and county governments pursuant to intergovernmental agreements. The general revenue sources of the Bank in 2020 were truck registration fees (36%); contribution from SCDOT in an amount equivalent to revenues generated from one-cent of motor fuel user on gasoline (13%); motor vehicle registration fees (19%); electric power tax (2%); program revenues include contributions pursuant to intergovernmental agreements of $11.4 million which is (5%) of total revenues; and investment earnings (25%). 33% of the Bank's expenses represent transportation projects and 67% of expenses were interest on debt and other debt related costs.

Table 2 presents a breakdown of the revenues and expenses of the governmental activities.

Table 2
Changes in Net Position
(expressed in millions)

	Governmental Activities	
	June 30, 2020	June 30, 2019
Revenues:		
Program Revenues:		
Charges for Services	$ 11.5	$ 11.9
General Revenues:		
Truck registration fees	81.2	78.6
Motor Fuel User Fee	28.3	28.6
Motor vehicle registration fees	42.8	44.6
Electric power tax	3.9	4.5
Interest/Investment earnings	56.4	53.6
Total general revenues	212.6	209.9
Total Revenues	224.1	221.8
Expenses:		
Administration	0.8	0.8
Transportation projects assistance	71.6	82.1
Interest and other debt costs	60.7	69.0
Total Expenses	133.1	151.9
Change in net position	91.0	69.9
Net position, beginning of year	(601.3)	(671.2)
Net position, end of year	$ (510.3)	$ (601.3)

FINANCIAL ANALYSIS OF THE BANK'S INDIVIDUAL FUND

As noted earlier, the Bank uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The focus of the Bank's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Bank's financing requirements. In particular, the classifications of fund balance may serve as a useful measure of a government's net resources available for spending, and the level of restriction related to those resources, at the end of the fiscal year. As of the end of the current fiscal year, the ending fund balance in the Bank's governmental fund was $1.05 billion, a increase of $7 million in comparison with the prior year. The entire governmental fund balance is restricted for debt service requirements, bond funded projects, or highway construction.

Debt Administration

The authority of the Bank to incur debt is pursuant to the act which created the Bank and is found in Sections 11-43-110, et seq. of the South Carolina Code. The Bank has the legal authority to issue general obligation bonds of the state and revenue bonds. The Bank's total original principal amount of revenue bonds issued is in excess of $2 billion. During fiscal year 2020, the Bank paid $74.6 million towards principal of outstanding revenue bonds and $2.6 million towards principal of outstanding general obligation bonds. At June 30, 2020, the principal balance of outstanding revenue bonds was $1.4 billion and the outstanding balance of general obligation bonds was $24.8 million.

On June 15, 2016, Wells Fargo Bank agreed to continue to hold the outstanding Series 2003 B Bond debt ($ 354.9 million) for the three year period ending June 15, 2019 at a market based interest determined in June of 2016 (67% of one-month Libor plus 40 basis points (0.40%)). The outstanding Series 2003 B Bonds should be restructured on or prior to June 15, 2019. As a result, the SCTIB in coordination with the State Treasurer’s Office issued a “Request for Proposals for Direct Placement Index Floaters or Investment Banking Services relating to the Revenue Refunding Bonds, Series 2003B” dated April 2, 2019. Ten responses were received. It was determined that the proposals from Wells Fargo Bank, N.A. (lead manager) and Bank of America Merrill Lynch (co-manager) are most advantageous to the SCTIB. These institutions would be engaged to serve as underwriters for a publicly offered/reoffered negotiated sale of Libor indexed floating rate notes Series 2003B or Series 2019A (or such other numbering convention as may be appropriate). Wells Fargo’s proposal indicated the lowest fee for underwriting services of all submissions received by the SCTIB.

On July 8, 2019, the Bank cash defeased portions of Revenue Refunding Bonds 2012A and 2012B.

Additional information on the Bank's long-term debt obligations can be found in Notes 4 and 5 of the Notes to the Financial Statements of this report.

Economic Factors

During the 2020 COVID 19 Pandemic and the subsequent ecomomic downturn, revenues to the Bank continue to meet requirements for covering debt service and providing necessary cash to meet project expenditures. System payments (Truck Registration Fees, Motor Vehicle Registration Fees, Non-State Tax revenue equivalent to 1 cent per gallon of gasoline tax, and Electric Wholesale Power funds of 50% of amount exceeding $20 million) revenues are expected to return to a pre-pandemic level. Series payments (loan agreement payments) are currently all from Non-State Tax sources of the SCDOT. These revenues are pledged by the Bank to the repayment of revenue bonds. Due to the conservative financial plan of the Bank, including sufficient coverage ratios, and the overall strength of the Bank's revenue sources, the Bank continues to maintain an “A” credit rating on its debt.

When the economic downturn began, COVID-19 Stress Tests (Moody’s, Fitch, and SCTIB Actual Great Recession Growth Rate) were conducted by the Bank. The results showed that the Bank’s revenues provide solid debt service coverage even when severely stress tested. Fitch Ratings conducted a review of the Bank’s revenue (and Stress Test Results) and on May 11, 2020 affirmed the Bank’s Revenue Bond ‘A’, Outlook Stable rating. The Bank’s short-term and long-range financial plans are constantly reviewed and updated to ensure financial sources are available to meet commitments made by the Bank Board.

Budgetary Highlights

Total budgetary authority for expenditures from the State was approximately $131 million. The budgetary authority was decreased from fiscal year 2019. Total expenditures on the budgetary basis of accounting were approximately $49 million. The positive variance with budgeted amounts is due to several infrastructure projects not paying out as expected during the fiscal year and Series 2019A Revenue Bonds proceeds reimbursing the Bank $40 million in costs of bond approved projects which reduced costs incurred by the Bank.

Request For Information

This financial report is designed to provide a general overview of the South Carolina Transportation Infrastructure Bank's finances for all of the Bank's taxpayers, customers, investors, and creditors. This financial report seeks to demonstrate the Bank's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

South Carolina Transportation Infrastructure Bank
955 Park Street, Room 120B
Columbia, South Carolina 29201

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
STATEMENT OF NET POSITION
JUNE 30, 2020
(expressed in thousands)

		Governmental Activities
ASSETS		
Current assets:		
Cash and cash equivalents	$	56,498
Accrued interest receivable		482
Intergovernmental loans/receivables:		
Other Receivables		6,032
Restricted current assets:		
Cash and cash equivalents		78,745
Accrued interest receivable		2,024
Intergovernmental loans/receivables:		
State agencies		33,030
County governments		31,728
Total current assets		208,539
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents		739,717
Accrued interest receivable		6,362
Intergovernmental loans/receivables:		
State agencies		119,239
County governments		38,471
Total noncurrent assets		903,789
Total assets		1,112,328
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding of bonds		72,233
Deferred outflows of resources related to pensions		47
Deferred outflows of resources related to OPEB		67
Hedging portion of derivative instrument		55,380
Total deferred outflows of resources	$	127,727

(continued)

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
STATEMENT OF NET POSITION (continued)
JUNE 30, 2020
(expressed in thousands)

	Governmental Activities
LIABILITIES	
Current liabilities:	
Liabilities payable from restricted current assets:	
Bonds payable - current portion	$ 80,330
Accrued interest payable - bonds	12,922
Total liabilities payable from restricted current assets	93,252
Accounts payable	13,430
Unearned revenue	44,509
Compensated absences payable - current portion	9
Total current liabilities	151,200
Noncurrent liabilities:	
Bonds payable, net of current portion	1,505,842
Rebatable arbitrage payable	319
Compensated absences payable, net of current portion	34
Net pension liability	443
Net OPEB liability	354
Derivative instrument liability - hedging portion of derivative instrument	55,380
Derivative instrument liability - off market portion of derivative instrument	36,709
Total noncurrent liabilities	1,599,081
Total liabilities	1,750,281
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	8
Deferred inflows of resources related to OPEB	35
Total deferred inflows of resources	43
NET POSITION	
Restricted:	
Debt service reserve	139,790
Debt service principal and interest	742,680
Bond funded projects	164,822
Unrestricted	(1,557,561)
Total net position	$ (510,269)

The notes to the financial statements are an integral part of these financial statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(expressed in thousands)

	Governmental Activities
Expenses:	
Public transportation facilities development:	
General operating	$ 816
Financial assistance awards for constructing and improving highway and other transportation facilities and other project costs	71,645
Interest	57,502
Bond related expenditures/issuance costs	3,103
Total program expenses	133,066
Program revenues	
Charges for services	11,452
Net program expenses	121,614
General revenues:	
Motor fuel and vehicle registration fees	152,323
Electric power tax	3,952
Interest/investment income	56,348
Total general revenues	212,623
Change in net position	91,009
Net position - beginning of year	(601,278)
Net position - end of year	$ (510,269)

The notes to the financial statements are an integral part of these financial statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2020
(expressed in thousands)

ASSETS		**Public Transportation Facilities Development**
Unrestricted assets:		
Cash and cash equivalents	$	56,498
Intergovernmental loans/receivables:		
State agencies		6,032
Accrued interest receivable		482
Total unrestricted assets		63,012
Restricted assets:		
Cash and cash equivalents		818,462
Accrued interest receivable		8,386
Intergovernmental loans/receivables:		
State agencies		152,269
County governments		70,199
Total restricted assets		1,049,316
Total assets	$	1,112,328
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$	13,430
Unearned revenue		44,509
Total liabilities		57,939
Fund balance:		
Restricted for financial assistance award and debt service		1,054,389
Total fund balance		1,054,389
Total liabilities and fund balance	$	1,112,328

The notes to the financial statements are an integral part of these financial statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
JUNE 30, 2020
(expressed in thousands)

Reconciliation to the statement of net position:		
Total fund balance, governmental fund		$ 1,054,389
Amounts reported for governmental activities in the statement of net position are different because:		
Amounts reported for governmental activities in the statement of net position are different because:		
Liabilities are not due and payable in the current period, therefore, are not reported in the governmental fund:		
Bonds payable	(1,586,172)	
Rebatable arbitrage payable	(319)	
Derivative instrument liability - hedging portion of derivative instrument	(55,380)	
Derivative instrument liability - off market portion of derivative instrument	(36,709)	
Compensated absences payable	(43)	
Accrued interest payable	(12,922)	
Net pension liability	(443)	
Net OPEB liability	(354)	(1,692,342)
Deferred inflows of resources are not reported in the governmental fund:		
Deferred inflows of resources related to pensions	(8)	
Deferred inflows of resources related to OPEB	(35)	(43)
Deferred outflows of resources are not reported in the governmental fund:		
Deferred loss on bond refundings	175,903	
Less: accumulated amortization	(103,670)	
Hedging Portion of derivative instrument	55,380	
Deferred outflows of resources related to pensions	47	
Deferred outflows of resources related to OPEB	67	127,727
Net position		$ (510,269)

The notes to the financial statements are an integral part of these financial statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2020
(expressed in thousands)

	Public Transportation Facilities Development
Revenues:	
Contribution of motor fuel user fee revenue for construction projects by the South Carolina Department of Transportation	$ 28,303
Truck registration fees and penalties transferred from South Carolina Department of Motor Vehicles	81,190
Motor vehicle registration fees and penalties transferred from South Carolina Department of Motor Vehicles	42,829
Electric power tax revenue transferred from South Carolina Department of Transportation	3,952
Contributions pursuant to intergovernmental agreements for specific construction projects	11,439
Interest/investment income:	
Deposits and investments	50,731
Loans and receivables	5,632
TOTAL REVENUES	224,076
Expenditures:	
General operating	782
Financial assistance awards for constructing and improving highway and other transportation facilities	71,645
Debt service:	
Interest	64,446
Principal	77,185
Bond issuance costs	1,266
Defeasance deposit with escrow agent	224,858
TOTAL EXPENDITURES	440,182
Other Financing Sources:	
Revenue refunding bonds	179,030
Premium on bonds issued	43,973
TOTAL OTHER FINANCING SOURCES	223,003
CHANGE IN FUND BALANCE	6,897
FUND BALANCE, beginning of year	1,047,492
FUND BALANCE, end of year	$ 1,054,389

The notes to the financial statements are an integral part of these financial statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(expressed in thousands)

Reconciliation to the statement of activities:		
Change in Fund Balance for the governmental fund	$	6,897
Amounts reported for governmental activities in the statement of activities are different because:		
Proceeds from the issuance of bonds are reported as other financing source in the governmental fund and as an increase in liabilities in the statement of net position		(223,003)
Increase in accrued interest payable is reported as expense in the statement of activities		1,298
Amortization of premiums and discounts on bonds is reported as an adjustment of interest expense in the statement of activities		8,702
Amortization of deferred loss on refunding of bonds is reported as an expense in the statement of activities		(6,574)
Change in arbitrage liability is reported as expenses in the statement of activities		(319)
Amortization of derivative instruments is reported as a reduction to interest expense in the statement of activities		3,779
Repayment of long-term debt is reported as an expenditure in the governmental fund and as a reduction in liabilities in the statement of net position		282,735
Decrease in general operating expense due to increase in proportionate share of pension expense		3
Increase in general operating expense due to increase in proportionate share of OPEB expense		24
Decrease in compensated absences is reported as a reduction in expense in the statement of activities		(4)
Escrow deposits for defeasance of long-term debt is reported as other financing use in the governmental fund		17,471
Change in net position	$	91,009

The notes to the financial statements are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of South Carolina Transportation Infrastructure Bank (the "Bank") were prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental entities. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles. The more significant of the Bank's accounting policies are described below:

Reporting Entity

The Bank was established in 1997 to select and assist in financing major qualified projects by providing loans and other financial assistance to government units and private entities for constructing and improving highway and transportation facilities necessary for public purposes including economic development. The enabling statute is Section 11-43-120 of the Code of Laws of South Carolina (the "Act").

The Bank is governed by its Board of Directors. The Board consists of seven voting directors as follows: one director appointed by the Governor who shall serve as chairman; one director appointed by the Governor; the Chairman of the Department of Transportation Commission, ex officio; one director appointed by the Speaker of the House of Representatives; one member of the House of Representatives appointed by the Speaker, ex officio; one director appointed by the President of the Senate; and one member of the Senate appointed by the President of the Senate, ex officio. Directors appointed by the Governor, the Speaker, and the President shall serve terms coterminous with their terms of office.

The Bank is a funding entity that only provides loans and other financial assistance to approved projects pursuant to the Act. The Bank does not own, construct, manage the construction of, or maintain any of the projects it has approved for funding. The Bank has no financial obligation to fund any portion of any project other than that which is selected by action of its Board, is approved by the Joint Bond Review Committee of the State of South Carolina (the "JBRC"), and is subject to a valid and enforceable intergovernmental agreement or loan agreement. Subject to JBRC approval and, with respect to general obligation bonds, approval of the State Fiscal Accountability Authority ("SFAA"), the Bank may, in its sole discretion, issue bonded indebtedness in order to finance all or any portion of its obligations to provide approved projects with loans or other financial assistance.

Act 275 (2016) sets the minimum eligible costs of a project that the Bank may consider for financial assistance at $25 million. In addition to the JBRC approval, Act 275 included a requirement for the Bank, before providing financial assistance, to submit the decision to the South Carolina Department of Transportation ("SCDOT") Commission for its consideration and approval.

The primary sources of funding of the Bank consist of an annual contribution of revenues by SCDOT to the Bank of an amount not to exceed one cent per gallon of user fee collected on gasoline, contributions and donations from government units and private entities, state appropriations, truck registration fees and penalties, electric power tax, and motor vehicle registration fees. In addition, Act 98 (2013) provides for a transfer from the SCDOT of $50 million dollars from non-tax sources to fund projects to expand or improve existing interstates or replace or rehabilitate bridges from project priority lists submitted to the Bank by SCDOT. The General Assembly passed Act 40 (2017) which repealed Act 98 (2013) effective fiscal year 2018. The last payment of $50 million dollars was September 2017. The SCDOT will assume the costs of the Act 98 projects once the remaining funds held by the Bank are exhausted.

All of the revenues collected for truck registration fees and penalties pursuant to SC Code of Laws Sections 56-3-660 and 56-3-670 were received by the Bank from the South Carolina Department of Motor Vehicles and were used to provide funding for various capital projects, including debt service on revenue bonds. The Bank also received 100% of the motor vehicle registration fees and one-half of the electric power tax collections exceeding $20 million dollars.

The core of the financial reporting entity is the primary government, which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity. The financial reporting entity includes the Bank (a primary entity). The Bank has determined that it has no component units.

A primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body, including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

An organization can provide a financial benefit to, or impose a financial burden on, a primary government in a variety of ways. The benefit or burden may result from legal entitlements or obligations, or it may be less formalized and exist because of decisions made by the primary government or agreements between the primary government and a component unit. If a primary government appoints a voting majority of an organization‘s officials or if the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, the primary government is financially accountable for those organizations. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists:

(1) The primary government is legally entitled to or can otherwise access the organization‘s resources.
(2) The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
(3) The primary government is obligated in some manner for the debt of the organization.

Based on these criteria, the Bank has determined it is not a component of another entity and it has no component units. This financial reporting entity includes only the Bank (a primary entity).

The reporting entity is part of the State of South Carolina primary government unit and is included in the Comprehensive Annual Financial Report of the State of South Carolina. The accompanying financial statements present the financial position and the results of operations of only the portions of the funds of the State of South Carolina that are attributable to the transactions of the Bank and do not include any other funds, agencies, divisions, instrumentalities or component units of the State of South Carolina.

The Bank is granted an annual appropriation for operating purposes as authorized by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the Bank. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the state and authorizes expenditures of total funds. The laws of the state and the policies and procedures specified by the state for state agencies and institutions are applicable to the activities of the Bank. Generally, all state departments, agencies, and institutions are included in the state's reporting entity, which is the primary government of the State of South Carolina. These entities are financially accountable to and fiscally dependent on the state. Although the Bank operates somewhat autonomously, it lacks full corporate powers.

Fund Structure

A fund is a separate fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual equities or balances and changes therein. These accounts are segregated to carry on specific activities or attain certain objectives in accordance with applicable regulations, restrictions, or limitations. Separate accounts are maintained for each fund. The funds of the Bank are classified as governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed and are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; the difference between the assets and liabilities is fund balance. The Bank has only one governmental fund.

Special Revenue Fund: The special revenue fund generally records the expenditure of revenues that are restricted to specific programs or projects. The special revenue fund accounts for financial assistance awards for construction of capital projects, taxes levied with statutorily defined distributions, and any other resources restricted as to purpose.

The expenditures for constructing and improving highway and transportation facilities for the benefit of government units and private entities are recorded as grant award expenditures in the special revenue fund. Grant awards for constructing and improving highway and transportation facilities include those expenditures made pursuant to financial assistance awards for specific projects.

Government-wide and Fund Financial Statements

These financial statements are prepared in accordance with GASB statement No. 34, “Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments” and No. 37 “Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus”, as amended. The primary impacts of using these statements involved the presentation of the Government-wide financial statements on an accrual basis of accounting and the inclusion of a “Statement of Activities”, which demonstrates the degree to which the direct expenses of the Bank's programs are offset by program revenues, and a “Management's Discussion and Analysis”.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Bank considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Bank, available means expected to be received within one year of the fiscal year-end.

Nonexchange transactions, in which the Bank receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Bank must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Bank on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Budget Policy

The Bank is granted an annual appropriation for operating purposes by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the Bank. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the state and authorizes expenditures of total funds. The “Total Funds” column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenue budget is not adopted for individual budgetary units. The General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit within budgetary fund category, state General Fund or other budgeted funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the state's budgetary accounting system only if enough cash and appropriation authorization exist.

Transfers of funds may be approved by the SFAA under its authority or by the agency as set forth in Appropriation Act Proviso 117.9 as follows: Agencies and institutions shall be authorized to transfer appropriations within programs and within the agency with notification to the Executive Budget Office and Comptroller General. No such transfer may exceed twenty percent of the program budget. Upon request, details of such transfers may be provided to members of the General Assembly on an agency by agency basis.

Transfers of appropriations from personal service accounts to other operating accounts or from other operating accounts to personal service accounts may be restricted to any established standard level set by the SFAA upon formal approval by a majority of the members of the SFAA. During the fiscal year-end closeout period in July, agencies may continue to charge vendor, interagency, and interfund payments for the fiscal year to that fiscal year's appropriations. Any unexpended State General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 1 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

Cash and Cash Equivalents

The amounts shown in the financial statements as “cash and cash equivalents” represent cash on deposit with the South Carolina State Treasurer and cash invested in various instruments by the State Treasurer as part of the state's internal cash management pool. Most state agencies, including the Bank, participate in the state's internal cash management pool.

Because the internal cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South

Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The Bank records and reports its deposits in the special deposit accounts at fair value. Investments held by the pool are recorded at fair value. Interest earned by the Bank's special deposit accounts is posted to the Bank's account at the end of each month and is retained. Interest earnings are allocated based on the percentage of the Bank's accumulated daily interest receivable to the total income receivable of the pool. Reported income includes interest earnings at the stated rate, realized gains/losses, and unrealized gains/losses arising from changes in the fair value on investments held by the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the percentage ownership in the pool. Some State Treasurer accounts are not included in the State's internal cash management pool because of restrictions on the use of the funds. For those accounts, cash equivalents include investments in short-term highly liquid securities having an initial maturity of three months or less at the time of acquisition. At year-end, the Bank held no short-term investments. For information pertaining to the State's internal cash management pool, see the deposits disclosures in Note 2.

Capital Assets

Capital assets are recorded at cost on the date of acquisition. The Bank follows capitalization guidelines established by the State. All land is capitalized, regardless of cost. The Bank capitalizes movable personal property with a unit value in excess of $5,000 and a useful life in excess of two years and intangible assets including software costing in excess of $100,000. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Bank had no capital assets as of June 30, 2020. The Bank donates all capital infrastructure projects to the South Carolina Department of Transportation. The Bank donated $55.13 million in capital projects during the fiscal year ended June 30, 2020. All expenditures for infrastructure projects are recorded as financial assistance award expenditures.

Deferred Outflows and Inflows of Resources

A deferred outflow or inflow of resources is a consumption or acquisition of net position that is applicable to a future reporting period. The Bank has recorded deferred outflows and inflows of resources in connection with the change in fair value of hedging derivatives, deferred amounts on bond refundings, and amounts related to its proportionate share of the net pension and OPEB liabilities.

Rebatable Arbitrage

Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from those earnings exceeds the effective yield on the related tax-exempt debt issued. Governmental units may avoid the requirement to rebate the "excess" earnings to the federal government under certain circumstances, if they issue no more than $5 million in total of all such debt in a calendar year and if they meet specified targets for expenses of the proceeds and interest earnings thereon. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. The federal government only requires arbitrage to be calculated, reported and paid every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. The Bank recorded $319 thousand in arbitrage liability as of June 30, 2020.

Bond Discounts, Bond Premiums, Bond Issuance Costs, and Amortization

Bond discounts and bond premiums are amortized over the terms of the bonds using the bonds outstanding method, which results in amortization being computed using the percentage of bonds retired to total bonds issued. This method approximates the effective interest method of amortization.

Unearned Revenue

Unearned revenue consists of advance payments received for construction projects and other contractual payments which have not been earned. Revenues are recognized in the period in which the project expenditures are made. The Bank has recorded $44.5 million of unearned revenue as of June 30, 2020.

Restricted Assets

Generally, under the applicable bond indentures, the earnings and receipts of loans and certain receivables are required to be used for the related bonds payable debt service payment. Because the assets are generally restricted for this purpose, they have been reflected in the restricted portion of the accompanying statements. The liabilities that are to be paid from these restricted assets are noted as liabilities payable from restricted assets.

Net Position / Fund Balance

The following categories of fund balance are used in the fund level financial statement of the governmental fund:

Nonspendable fund balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as other assets. The Bank did not have any nonspendable fund balance at June 30, 2020.

Restricted fund balance

The restricted fund balance classification includes amounts that are either restricted externally by creditors, grantors, contributors, or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation. All of the Bank's fund balance is presented as restricted as all fund balance is required to be used for debt service or for the construction of roads and highways.

The Bank has a Revenue Stabilization Fund, which has a balance of $31.6 million as of June 30, 2020. Transfers from the Revenue Stabilization Fund are revenues pledged for debt service. The Revenue Stabilization Fund is established to ensure a proper matching, over time, of pledged revenues and debt service. The State Treasurer shall monitor the historical receipt of Truck Registration Fees and penalties in determining (i) the amount of any required deposit into the Revenue Stabilization Fund, or (ii) the amount of any available transfer from the Revenue Stabilization Fund to the Pledged Revenue Fund. An initial deposit to the Revenue Stabilization Fund in the amount of $10 million was made from non-bond proceeds of the Bank upon the issuance of the Series 1998A Bonds. In those fiscal years when the budgeted amount of Truck Registration Fees exceeds the prior year's collections, seventy-five percent (75%) of the excess will be deposited to the Revenue Stabilization Fund. When the budgeted amount of Truck Registration Fees is less than the prior year's collections, seventy-five percent (75%) of the difference will be transferred from the Revenue Stabilization Fund to the Pledged Revenue Fund. Adjustments may be made following the close of each fiscal year to reflect amounts actually received during the prior fiscal year. These amounts are considered restricted, as their use is restricted per the terms of the Master Revenue Bond Resolution.

Committed fund balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Bank's highest level of decision-making authority, which is the Bank's Board of Directors. The Board of Directors would have to pass a formal resolution to commit fund balance. Those committed amounts cannot be used for any other purpose unless the Bank removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The Bank recognizes committed fund balances that have been approved for specific purposes by the Bank's Board of Directors before the fiscal year end. As of June 30, 2020, the Bank did not have any committed fund balance.

Assigned fund balance

The assigned fund balance classification includes amounts that are constrained by the Bank's intent to be used for specific purposes but are not restricted or committed. The authority for making an assignment is not required to be the Bank's highest level of decision-making authority and as such, the nature of the actions necessary to remove or modify an assignment does not require the Department's highest level of authority. The Bank's Director can choose to assign fund balance for a specific purpose. Assigned fund balance amounts in the Bank's financial statements represent amounts approved by the Bank's Board of Directors to be transferred and spent after year-end. In the special revenue fund, assigned fund balances represent amounts to be spent for specific purposes. As of June 30, 2020, the Bank did not have any assigned fund balance.

Unassigned fund balance

The unassigned fund balance classification includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned for specific purposes within the general fund. As of June 30, 2020, the Bank did not have any unassigned fund balance.

Based on the Bank's policies regarding fund balance classifications as noted above, the Bank considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditure that has been designated by the Bank's Board of Directors or donors has been made. After these fund balances have been depleted, unassigned fund balance will be considered to have been spent.

Net Position

The Bank reports net position in accordance with GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". The statement requires the presentation of deferred inflows and outflows of resources in addition to assets and liabilities as required components of the residual measure of the government, which is net position.

The following categories of net position are presented in the Statement of Net Position:

Restricted net position

Restricted net position consists of assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation. As of June 30, 2020, the $1.1 billion restricted net position is to be used for debt service or construction of roads and bridges. In all cases, if individual restricted net position categories are negative, the negative balance is eliminated and reclassified against unrestricted net position.

Unrestricted net position

The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The Bank's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Compensated Absences

Generally, all permanent full-time employees and certain part-time employees scheduled to work at least one-half of the agency's work days of the month are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave earned for which the employees are entitled to paid time off or payment at termination. The Bank calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded as a liability.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues and expenses and affect disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates affecting the financial statements are the estimated fair value of derivative instruments and the actuarial estimates used to calculate the net pension and OPEB liabilities. Actual results could differ from those estimates.

NOTE 2. DEPOSITS:

All deposits of the Bank are under the control of the State Treasurer who, by law, has sole authority for investing state funds. The following schedule reconciles deposits within the footnotes to the financial statement amounts (expressed in thousands):

Financial Statements			Footnotes		
Governmental fund:			Deposits held by:		
Cash and cash equivalents	$	56,498	State Treasurer	$	873,259
Restricted cash and cash equivalents		818,462	Swap Counterparties		1,701
Total	$	874,960		$	874,960

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

With respect to investments in the state's internal cash management pool, all of the State Treasurer's investments are required to be insured or registered or are investments for which the securities are held by the state or its agent in the state's name.

Cash and cash equivalents reported include unrealized appreciation of $42.56 million for the governmental fund as of June 30, 2020 arising from changes in the fair value of investments. Interest/investment income from deposits and investments includes an unrealized gain of $27.359 million for the governmental fund for the year-ended June 30, 2020. The Bank reported unrealized appreciation of its cash and cash equivalents due to decreasing interest rates which have increased the value of the portfolio held by the State Treasurer in which the Bank has its funds held.

Deposits at fair value at June 30, 2020 held by the State Treasurer include $139.790 million for funding revenue bond debt service reserve requirements, $428.765 million for funding revenue bond debt service, $8.125 million for funding general obligation bond debt service, $164.878 million in bond proceeds and cost of issuance, $62.639 million collateral funds under interest rate swap agreements, $56.498 million unrestricted highway cash, $12.563 million in Act 98 proceeds.

Information pertaining to reported amounts, fair values, and credit risks of the State Treasurer’s deposits and investments, including disclosure under GASB Statement No. 40, *Deposits and Investments - Risk Disclosures* and GASB Statement No. 72, *Fair Value Measurement and Application* are disclosed in the Comprehensive Annual Financial Report of the State of South Carolina, which can be found at www.cg.sc.gov.

NOTE 3. LOANS/RECEIVABLES/UNEARNED REVENUE:

A summary of intergovernmental loans/receivables and unearned revenue at June 30, 2020 is as follows (expressed in thousands):

	State Agencies		County Governments	
Contribution Receivables:				
Charleston County Project				
S.C. Department of Transportation	55,333	*	-	
S.C. Ports Authority	7,000	*	-	
Charleston County	-		24,000	*
Intergovernmental loans:				
Horry County RIDE Project				
Horry County				
Loan II - Pledged portion	-		46,199	*
S.C. Department of Transportation				
Multi-project loan	18,236	*	-	
US 17 project	59,358	*	-	
Other Receivables:				
Truck registration fees and penalties -				
S.C. Department of Motor Vehicles	5,391	*	-	
Vehicle Registration Fees - SC Dept Motor Vehicle	4,807	*	-	
Electric Power Tax Equivalent	2,144	*		
Other Recivables	6,032		-	
Totals	$ 158,301		$ 70,199	

Unearned Revenue:	
SCDOT - Unearned Motor Fuel User Fee	$ 1,549
Florence County Project	42,960
	$ 44,509

*These receivables are pledged pursuant to the bond covenants to secure the payment of bonds outstanding and are classified as restricted for debt service principal and interest in the net position section of the statement of net position and as restricted for debt service in the fund balance section of the governmental fund balance sheet.

CONTRIBUTION RECEIVABLES:

Each fiscal year, the Bank records revenues from contributions pursuant to intergovernmental agreements in amounts equal to the project expenditures made in the fiscal year that are applicable to the contribution share of the project costs. A summary of changes in the contribution receivables for the fiscal year ended June 30, 2020 is as follows (expressed in thousands):

Charleston County Project

	Balances 6/30/19	Current Expenditures	Contributions Received	Balances 6/30/20
SCDOT Phase I (b)	$ 63,333	$ -	$ 8,000	$ 55,333
SC Ports Authority (c)	8,000	-	1,000	7,000
Charleston County (d)	27,000	-	3,000	24,000
	$ 98,333	$ -	$ 12,000	$ 86,333

(b) The total contribution obligation is $200 million which was fully advanced as of June 30, 2005. $144.667 million was collected on this receivable through June 30, 2020.

(c) The total contribution obligation is $45 million which was advanced as of June 30, 2005. $38 million was collected on this receivable through June 30, 2020.

(d) The total contribution is $75 million, which was advanced as of June 30, 2005. $51 million was collected on this receivable through June 30, 2020.

Florence County Project

	Balances 6/30/19	Current Expenditures	Contributions Received	Balances 6/30/20
Florence County (e)	$ (54,396)	$ 11,436	$ -	$ (42,960)
	$ (54,396)	$ 11,436	$ -	$ (42,960)

(e) The total contribution paid from Florence County is $144.988 million through June 30, 2020. Expenditures on this project totaled $304.11 million with the County's share totaling $102.028 million resulting in unearned revenue of $42.960 million.

INTERGOVERNMENTAL LOANS

The Bank has also entered into intergovernmental agreements with various local governments whereby the Bank will make loans for all or partial funding for certain permanent highway and transportation facilities projects. Details of the loan balances and changes thereto are as follows (expressed in thousands):

Horry County RIDE Project

	Balances 6/30/19	Current Expenditures	Contributions Received	Balances 6/30/20
Table III projects (f)	$ 68,301	$ -	$ 22,102	$ 46,199
	$ 68,301	$ -	$ 22,102	$ 46,199

(f) The original loan amount was for $247.578 million which was advanced through June 30, 2006. Payments on principal through June 30, 2020 total $201.379 million. The loan was restructured during fiscal year 2004 with the total repayment amount remaining the same, but extending the repayment timeframe up to five years. The agreed payments on this loan total $348.690 million including principal and interest. As there was no stated interest rate with this loan, interest is imputed at 2.9%. For the period ended June 30, 2020, payments of $23.871 million were received which consisted of $1.768 million in interest and $22.102 million in principal.

The loan covenants for the $300 million loan and the $247.578 million loan for the Horry County RIDE Project required the County to establish a Loan Reserve Account by depositing the entire balance it was holding in the Road Special Revenue Fund and to deposit all future receipts of the 1.5% Road Special Revenue Fund portion of the Hospitality Fee into a Loan Servicing Account. The Bank pays itself from the Loan Servicing Account the scheduled loan payments for the $300 million loan and the $247.578 million loan. Unspent funds in the Loan Servicing Account are to be transferred to the Loan Reserve Account as of each year end. As quarterly payments become due, if the balance of the Loan Servicing Account is not sufficient to make the loan payments, the Bank will cause the State Treasurer to pay the deficiency from the balance in the Loan Reserve Account. If the balance in the Reserve Account is not sufficient to make the loan payment, the Bank shall have the option, in its sole discretion, of instructing the State Treasurer, pursuant to section 11-43-210 of the South Carolina Code of Laws, to withhold any pay over the amount due from other funds held by the state and allotted or appropriated to Horry County or utilize those remedies provided by paragraph 4.2 of the Series 1999A Master Loan Agreement. Upon the expiration or earlier termination of this agreement, the balance of the Loan Reserve Account, if any, after satisfying all remaining payments due on outstanding agreements or loans, shall be paid to Horry County. During fiscal year 2004, SCDOT made a commitment to advance Horry County up to $10 million if needed to prevent a shortfall in its loan payments to the Bank.

Pursuant to A Resolution Authorizing Execution and Delivery of Documents Necessary to Defease Horry County RIDE Program Loan II – Uninsured, adopted by the Board of Directors of the Bank on January 10, 2019, funds were transferred on February 15, 2019 concurrently with the execution and delivery of the Escrow Deposit Agreement dated February 15, 2019 among the Bank, Horry County and U.S. Bank National Association (as Escrow Agent) for a total of $80.142 million for the acquisition of the Defeasance Obligations (as Defined in the Escrow Deposit Agreement). The remaining funds were refunded to Horry County as per the the Master Loan Agreement. SCDOT was notified that the 2004 commitment was no longer in effect. Defeasance Documents can be found under Event-Based Disclosures on EMMA https://emma.msrb.org/ES1372460.pdf. The Escrow Account will now be utilized to repay the Bank.

SCDOT Multi-Project

	Balances 6/30/2019	Current Expenditures	Contributions Received	Balances 6/30/2020
SCDOT (g)	$ 27,077	$ -	$ 8,841	$ 18,236
	$ 27,077	$ -	$ 8,841	$ 18,236

(g) Total loan amount is $94.1 million which was fully advanced as of June 30, 2012. Interest is imputed on this loan as it did not have a stated interest rate in the loan agreement. Currently, the imputed interest rate is 5.025%. During the year ended June 30, 2020, payments of $10 million were received which consisted of $1.158 million in interest and $8.841 million in principal.

US 17 Project

	Balances 6/30/19	Current Expenditures	Contributions Received	Balances 6/30/20
SCDOT (h)	$ 61,647	$ -	$ 2,289	$ 59,358
	$ 61,647	$ -	$ 2,289	$ 59,358

(h) Total loan amount is $82.0 million which was advanced as of June 30, 2009. $22.64 million was collected on this loan as of June 30, 2020.

NOTE 4. LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2020 are as follows (expressed in thousands):

	Beginning Balance July 1, 2019	Increases	Decreases	Ending Balance June 30, 2020	Due Within One Year
General obligation bonds payable	$ 27,390	-	$ (2,595)	$ 24,795	$ 2,695
Unamortized premiums	3,356	-	(502)	2,854	-
Total general obligation bonds payable	30,746	-	(3,097)	27,649	2,695
Revenue bonds payable	1,158,915	179,030	(278,490)	1,059,455	75,985
Revenue bonds payable - Direct Placement	350,375	-	(1,650)	348,725	1,650
Unamortized premiums	135,716	43,973	(29,346)	150,343	-
Total revenue bonds payable	1,645,006	223,003	(309,486)	1,558,523	77,635
Arbitrage payable	-	319	-	319	-
Compensated Absences Liability	38	5	-	43	9
Total long-term liabilities	$ 1,675,790	$ 223,327	$ (312,583)	$ 1,586,534	$ 80,339

NOTE 5. BONDS PAYABLE:

A summary of the bonds payable as of June 30, 2020 is as follows (expressed in thousands):

Issue Date	Series	Original Face Amount	Final Maturity Date	Interest Rate (%)	Unpaid Principal Balance
September 22, 2003	2003B Refunding	368,300	10/01/31	Variable Rate	348,725
October 1, 2005	2005A Refunding	146,445	10/01/24	5.00-5.50	16,880
Plus unamortized premium					1,653
April 1, 2012	2012A Refunding	122,940	10/1/33	3.00-5.00	93,810
Plus unamortized premium					8,700
October 1, 2012	2012B Refunding	362,385	10/1/33	3.375-5.00	242,855
Plus unamortized premium					30,612
July 1, 2015	2015A Refunding	157,095	10/1/27	3.00-5.00	136,240
Plus unamortized premium					18,765
July 7, 2016	2016A Refunding	213,595	10/1/31	Variable Rate	201,915
Plus unamortized premium					16,599
July 27, 2017	2017A Refunding	188,725	10/1/40	Variable Rate	188,725
Plus unamortized premium					30,041
August 7, 2019	2019A Revenue	179,030	10/1/32	1.00 - 3.00	179,030
					43,973
Subtotal Revenue Bonds					1,558,523
April 13, 2004	2004A GO	28,780	10/01/28	3.00-5.00	10,190
Plus unamortized premium					19
May 1, 2012	2012A GO Refunding	28,745	04/01/25	5.00	14,605
Plus unamortized premium					2,835
Subtotal GO Bonds					27,649
Total bonds payable including unamortized premiums					$ 1,586,172

A summary of the components of bonds payable at June 30, 2020 is as follows (expressed in thousands):

Face value of revenue bonds outstanding	$ 1,408,180
Face value of general obligation bonds outstanding	24,795
Unamortized premium	153,197
	$ 1,586,172

Details of the future revenue bond debt service payments, including interest, are as follows (expressed in thousands):

		Principal	Private Placement Principal	Interest	Private Placement Interest	Totals
Year Ending:	6/30/21	$ 75,985	$ 1,650	$ 44,286	$ 15,072	$ 136,993
	6/30/22	76,655	5,125	40,449	14,928	137,157
	6/30/23	47,170	11,550	37,354	14,567	110,641
	6/30/24	54,200	6,800	34,819	14,173	109,992
	6/30/25	58,850	5,400	31,993	13,902	110,145
Five years ending:	6/30/30	172,295	230,625	135,295	45,236	583,451
	6/30/35	356,185	87,575	84,807	3,357	531,924
	6/30/40	176,460	-	32,124	-	208,584
	6/30/41	41,655	-	1,041	-	42,696
Total debt service obligations		$ 1,059,455	$ 348,725	$ 442,168	$ 121,235	$ 1,971,583

The payment of the principal and interest on the bonds outstanding is secured by liens on and pledges of a certain portion of the Bank's revenues and collections of certain receivables. Pledged revenues are defined as all payments payable to the Bank pursuant to any agreement between the Bank and the United States government, the state, any county, municipality, political subdivision, public body or other government entity or under any law, statute, ordinance, resolution or other authorizing instrument. The master revenue bond resolution also requires the establishment and maintenance of various debt service reserve bank accounts. The reserve requirement is the lesser of 10% of bonds outstanding; the maximum annual aggregate debt service; or 125% of the aggregate average annual debt service. The fair value of the Debt Service Reserve Fund at June 30, 2020 was $139.79 million. Total cost of the investment in the State Treasuer's investment pool is $126.46 million. Pursuant to Section 3.08 of the Master Revenue Bond Resolution, the amount in the Debt Service Reserve Fund is to be valued at the "cost" of the investment in order to comply with the reserve requirements. For the year ended June 30, 2020, the Bank received pledged revenues in the amount of approximately $213.27 million, which include payments on contributions receivable and intergovernmental loans as described under the bond documents, while net debt service was $141.63 million.

The outstanding balance at June 30, 2020 on defeased debt, after issuance of the Series 2003B, Series 2004B, Series 2005A, Series 2007B Revenue Refunding Bonds, 2009A Revenue Refunding Bonds, 2012A Revenue Refunding Bonds, 2012B Revenue Refunding Bonds, 2015A Revenue Refunding Bonds, 2016A Revenue Refunding Bonds, 2017A Revenue Refunding Bonds, and partial cash defeasance of 2012A and 2012B Revenue Refunding Bonds is $243.585 million on Series 2003A Revenue Bonds, $192.950 million on Series 2004A Revenue Bonds, $74.600 on Series 2005A Revenue Bonds, $203.58 million on Series 2010A Revenue Refunding Bonds, $143.025 on Series 2012A, $62.525 on Series 2012B for a total of $920.265 million.

Details of the future general obligation bond debt service payments, including interest, are as follows (expressed in thousands):

		Principal	Interest	Totals
Year Ending:	6/30/21	$ 2,695	$ 957	$ 3,652
	6/30/22	2,805	822	3,627
	6/30/23	2,915	682	3,597
	6/30/24	3,035	536	3,571
	6/30/25	3,155	385	3,540
Three years ending:	6/30/28	10,190	590	10,780
Total debt service obligations		$ 24,795	$ 3,972	$ 28,767

The Series 2003B Refunding Bonds were issued in three tranches (the "Series 2003B-1 Bonds, Series 2003B-2 Bonds and Series 2003B-3 Bonds) and initially paid interest at an Auction Rate and were subject to redemption on the first day of any Auction Period, in whole or in part, at the option of the Bank, at a price equal to one hundred percent of the principal amount thereof plus interest accrued to the redemption date without any premium or penalty.

On June 18, 2008 the Bank exercised its option to convert the interest rate mode from the Auction Rate mode to a Variable Rate Demand Obligation mode for the Series 2003B Bonds. The 2003B Bonds were secured by direct pay letters of credit from Bank of America, N.A., Branch Banking and Trust Company, and Wachovia Bank, National Association.

On June 17, 2011 the direct pay letters of credit associated with the Bank's Revenue Refunding Bonds, Series 2003B (the "Series 2003B Bonds") issued by Bank of America, N.A.; Branch Banking & Trust and Wachovia Bank, National Association expired. In order to pay off the Series 2003B Bonds, the Bank entered into the following direct placement loans: (1) $180,150,000 Revenue Refunding Bonds, Series 2003B-1-2 with Bank of America, N.A. and (2) $180,100,000 Revenue Refunding Bonds, Series 2003B-2-3 with Wells Fargo Bank, National Association. Both series of bonds have a final maturity of October 1, 2031. See Note 10 for additional details regarding the interest rate swap agreement.

On June 15, 2016 Wells Fargo Bank, National Association agreed to purchase all of the outstanding Series 2003B Bonds (all of which will be subject to mandatory tender on June 15, 2019) having the terms provided in this Second Amended and Restated Sixth Series Resolution pursuant to the terms of the Amended and Restated Continuing Covenants Agreement dated June 15, 2016 (the "Continuing Covenant Agreement"), between the Bank and Wells Fargo Bank, National Association.

On June 13, 2019, the Bank effectuated a mandatory tender and remarketing of the Series 2003B Bonds. On that date, (i) the Series 2003B Bonds were subject to mandatory tender at a purchase price equal to the principal amount thereof and interest was paid in accordance with customary procedures, and (ii) in connection with such mandatory tender for purchase, the Bank amended the Sixth Series Revenue Bond Resolution, to, among other things, specify and modify certain terms and provisions of the Series 2003B Bonds to reflect the terms and provisions of the reoffering. The Series 2003B Bonds were purchased for reoffering by Wells Fargo Bank, National Association and Merrill Lynch, Pierce, Fenner & Smith Incorporated (each, a "Remarketing Agent" and collectively, the "Remarketing Agents"). The Remarketing Agents agreed, subject to certain conditions, to purchase the Series 2003B Bonds at an aggregate purchase price of par. The initial public offering price was set forth on the cover page of Reoffering of $350,375,000 South Carolina Transportation Infrastructure Bank Revenue Bonds, Series 2003B Official Statement. The Remarketing Agents were obligated to purchase all of the Series 2003B Bonds. Proceeds of the reoffering were used to purchase the Series 2003B Bonds were being held by Wells Fargo Bank, National Association.

The Series 2003B Refunding Bonds shall be subject to mandatory sinking fund redemption and will be redeemed at a price equal to 100% of the principal amount of the bonds so redeemed, plus accrued interest to the date of redemption, on the date and in the amounts set forth below:

	Principal Amount Redeemed		
October 1	2003B-1	2003B-2	Total
2020	825,000	825,000	1,650,000
2021	2,575,000	2,550,000	5,125,000
2022	5,775,000	5,775,000	11,550,000
2023	3,400,000	3,400,000	6,800,000
2024	2,700,000	2,700,000	5,400,000
2025	20,700,000	20,675,000	41,375,000
2026	20,815,000	20,785,000	41,600,000
2027	23,485,000	23,515,000	47,000,000
2028	23,740,000	23,735,000	47,475,000
2029	26,585,000	26,590,000	53,175,000
2030	26,940,000	26,960,000	53,900,000
2031	16,835,000	16,840,000	33,675,000
	$ 174,375,000	$ 174,350,000	$ 348,725,000

The Bank issued $265.965 million of revenue refunding bonds on April 1, 2012. The 2012A bonds were issued to refund $34.635 million of the 2001A bonds and $253.625 million of the 2002A bonds. The 2012A refunding bonds have a maturity date of October 1, 2033 with a 3.00 to 5.00% coupon rate over the life of the issue.

The Series 2012A Refunding Bonds maturing on or after October 1, 2022, are redeemable prior to maturity, at the option of the Bank, on and after October 1, 2021, in whole or in part, at any time, at par plus accrued interest to the date fixed for redemption. On July 8, 2019, the Bank cash defeased $143.025 million of the 2012A refunding bonds.

The Bank issued $424.910 million of revenue refunding bonds on October 1, 2012. The 2012B bonds were issued to refund $253.970 million of the 2003A bonds and $198.810 million of the 2004A bonds. The bonds were issued with a premium of $53.560 million. The 2012B refunding bonds have a maturity date of October 1, 2033 with a 3.00 to 5.00% coupon rate over the life of the issue. The 2012B bonds maturing on and after October 1, 2023 are subject to optional redemption prior to their stated maturity dates on any date on and after October 1, 2022 at par. On July 8, 2019, the Bank cash defeased $62.525 million of the 2012B refunding bonds.

The State Treasurer's Office issued $28.745 million to refund a portion of the outstanding general obligation bonds on May 1, 2012. The bonds were issued to refund $31.220 million of the 2004A general obligation bonds issued on behalf of the Bank. The bonds were issued with a premium of $5.579 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt as an accounting loss of $2.966 million. This difference is reported in the accompanying financial statements as a deferred outflow and is being amortized on a straight line basis over the life of the bonds. The refunding was completed to reduce the overall debt service by $4.389 million with a net present value, or economic gain, of $3.847 million.

The Bank issued $157.095 million of revenue refunding bonds on July 1, 2015. The 2015A bonds were issued to refund $74.60 million of the 2005A bonds and $98.020 million of the 2007A bonds. The bonds were issued with a premium of $21.638 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in an accounting loss of $246 thousand. This difference is reported in the accompanying financial statements as a deferred outflow of resources and is being amortized on a straight line basis over the life of the bonds. The refunding was completed to reduce the overall debt service by $24.818 million with a net present value, or economic gain, of $20.895 million.

The Bank issued $213.595 million of revenue refunding bonds on July 7, 2016. The 2016A bonds were issued to refund $143.635 million of the 2007A Revenue bonds which mature in the years 2032 through 2037 and $85.570 million of the 2007B Revenue Refunding bonds which mature in the years 2017 through 2031. The bonds were issued with underwriters' discount of $2.283 million and a net original issue premium of $17.560 million.

The Bank issued $188.725 million of revenue refunding bonds on July 11, 2017. The 2017A bonds were issued to refund $203.580 million of the 2010A Revenue bonds which mature in the years 2034 through 2036 and in 2040. The par amount of the bonds was $188,725,000 and was issued at a premium of $30,041,170. The bonds have a maturity date of October 1, 2040 with a 5.00% coupon rate. The Series 2017A Bonds may, at the option of the Bank, be called for redemption prior to maturity, in whole or in part on any date, on or after October 1, 2027, and if in part, in maturities selected by the Bank, and by lot within maturity, at a Redemption Price of par plus interest accrued thereon to the date fixed for redemption. The bonds were issued with underwriters' discount of $574 thousand and a net original issue premium of $30.041 million. The Series 2017A bonds may be called for redemption prior to maturity, in whole or in part on any date, on or after October 1, 2027. The refunding was completed to reduce the overall debt service by $41.481 million with a net present value, or economic gain, of $23.991 million.

On August 7, 2019, the Bank closed on the Series 2019A Revenue Bond Issue in the par amount of $179,030,000 and was issued at a premium of $43,972,827. On May 8, 2019 Joint Bond Review Committee approved the Bank's request to issue Series 2019 Revenue Bonds in an amount not to exceed $235,000,000 to finance capital expenditures for existing projects that are currently under construction and previously approved by the Bank and the Committee, and to pay costs of issuance of the Bonds.

The Series 2019A Bonds were offered at competitive sales, and their issuance was undertaken as a component of a financial plan that included cash defeasance of $143,025,000 of Series 2012A and $62,525,000 of Series 2012B Bonds on July 8, 2019. On that date, the Bank deposited $224,858,041 of existing resources into an escrow account that purchased U.S. Treasurury notes with maturity dates that coincide with future maturities of the defeased bonds. This in-substance defeasance transaction resulted in a net present value savings of $35,391,096 or 17%.

NOTE 6. DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows of resources at June 30, 2020 consist of the following (in thousands):

Deferred loss on refunding bonds	$	72,233
Hedging portion of derivative instrument		55,380
Deferred outflows of resources related to retirement plan liability		47
Deferred outflows of resources related to OPEB liability		67
	$	127,727

Discussion regarding the hedging portion of the derivative instrument can be found in Note 10. The deferred loss on refunding bonds is amortized based on the shorter of the original bond or refunding bond issuance.

The detail below summarizes the deferred loss on refunding bonds by bond issue (in thousands):

Series	Original Face Amount	Final Maturity Date	Deferred Loss on Refunding Bonds
2003B Refunding	368,300	10/01/2031	$ 37,320
2005A Refunding	146,445	10/01/2024	665
2012A Refunding	122,940	10/01/2033	1,122
2012B Refunding	362,385	10/01/2033	7,715
2015A Refunding	157,095	10/01/2027	146
2016A Refunding	213,595	10/01/2031	2,012
2017A Refunding	188,725	10/01/2041	22,150
			71,130
2012A GO Refunding	28,745	04/01/25	1,103
			1,103
			$ 72,233

Amortization of the deferred loss on refunding bonds was approximately $9.369 million for the year ended June 30, 2020 and was recognized as a component of interest expense.

See Note 11 for information regarding deferred outflows of resources related to the Bank's net pension liability and Note 12 for information regard deferred outflows of resources related to the Bank's net OPEB liability.

NOTE 7. TRANSACTIONS WITH STATE ENTITIES:

The Bank has significant transactions with the State and various state agencies as described below.

Services received at no cost from state agencies include maintenance of certain records by the Comptroller General; check preparation, banking, bond trustee and investment services from the State Treasurer; and legal services from the Attorney General. Other services received at no cost from various divisions of the Executive Budget Office and SFAA include insurance plans administration, procurement services, audit services, assistance in the preparation of the State Budget, review and approval of certain budget amendments, and other centralized functions.

The Bank had financial transactions with various state agencies during the fiscal year. Payments were made to divisions of the SFAA for insurance plan premiums and to the State Accident Fund for workers' compensation insurance. The Bank paid $5 thousand for insurance and workers' compensation during the year ended June 30, 2020.

The SCDOT provided the Bank certain project management and other related services during fiscal year 2020 in the total amount of $715 thousand which was reimbursed by the Bank. The Bank reimbursed SCDOT $21.2 million for direct project expenditures on various projects and construction management paid by SCDOT to consultants. In addition, the Bank reimbursed SCDOT $155 thousand for administrative related services provided by SCDOT.

The Bank provided no services free of charge to other State agencies during the fiscal year.

The motor fuel user fee amounts received from SCDOT during the year totaled $28.8 million. SCDOT has prepaid one month of user fee amounts to the Bank resulting in unearned revenue of $1.549 milllion. Additionally, based on the year-end calculation of the required SCDOT motor fuel user fee contribution, an amount not to exceed the one cent per gallon collected in accordance with Section 11-43-160 of the South Carolina Code of Laws, it was determined that the Bank should reimburse SCDOT $558 thousand. Therefore, the amount of motor fuel user fee revenue recognized by the Bank was $28.3 million for the year ended June 30, 2020.

The Bank recorded $81.2 million of revenues from truck registration fees and penalties from the South Carolina Department of Motor Vehicles during fiscal year 2020.

The Bank recorded $42.8 million of revenues from motor vehicle fees from the South Carolina Department of Motor Vehicles during fiscal year 2020.

The Bank recorded $3.9 million in Electric Power Tax Revenue transferred from the SCDOT during fiscal year 2020.

The Bank recorded $10 million transferred to the SCDOT in accordance with a 2009 contractual agreement between Horry County, the Bank, and the SCDOT. The amounts received by the Bank are recorded as payments on the multi-project loan as discussed in Note 3.

The Bank makes quarterly payments to SCDOT, and receives monthly payments from SCDOT in accordance with an agreement between Horry County, the Bank, and SCDOT. In the agreement, SCDOT was assigned the payments originally assigned to Horry County in order to guard against Horry County defaulting on their project loans with the Bank. The amount paid to and received from SCDOT was $4.7 million for the year ended June 30, 2020.

NOTE 8. RISK MANAGEMENT:

The Bank is exposed to various risks of loss including theft of, damage to, or destruction of assets, general torts, and board member breach, theft or misappropriation and maintains state insurance coverage for non-owned motor vehicles and general torts. The bank did not incur any losses during the year.

The Bank and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following assets, activities and/or events:

1. Motor vehicles (non-owned); and
2. Torts

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of certain property and equipment and auto liability. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF's rates are determined actuarially. The Bank paid $4,988 to the IRF for insurance premiums during fiscal year 2020.

NOTE 9. COMMITMENTS/INTERGOVERNMENTAL AGREEMENTS:

The Bank entered into various intergovernmental agreements to provide financial assistance for highway and transportation facilities projects. Details of the agreements that still have Bank commitments outstanding and their status as of June 30, 2020 are as follows:

A. Intergovernmental agreements not utilizing ACT 98 Funding

Horry County Ride II Project. The total project costs were previously estimated to be $198 million, which were to be funded by the Bank as a financial assistance award and $2.279 million of contributions by Horry County from Admissions Tax District revenues. The full amount has been paid as of June, 30, 2009. The county and the Bank have executed an Intergovernmental Agreement. In July 2005, the Bank increased approved financial assistance for this project in the amount of $37 million with $25 million paid by the Bank and $12 million included in the SCDOT Multi-Project Loan. Subsequently, the $12 million was not needed by the Horry County Ride II program and was transferred to the SCDOT statewide bridge replacement program. In October 2006, the Bank increased approved financial assistance for this project in the amount of $31.256 million in the form of a grant from the Bank. These projects are complete.

Horry County – Carolina Bays Parkway Southern Extension/Widening of SC 707. Total project funding requested from Bank was $150 million. An Intergovernmental Agreement between Horry County, SCDOT, and the Bank was executed on June 20, 2007. In November 2007 the Bank approved a request to increase its financial assistance in the amount of $85 million for a total of $235 million. The projects are under construction.

Charleston County – Mark Clark Expressway. Total project funding requested from Bank was $420 million. The Bank approved funding for the total projected project cost. An Intergovernmental Agreement between

Charleston County, SCDOT, and the Bank was executed on June 8, 2007. Preliminary design is underway on the project. In August 2012, the Bank approved an additional amount of up to $150 million to complete the Mark Clark Expressway project from future capacity of the Bank and an additional amount of up to $90 million to complete the Florence County Project. The additional funding for the Mark Clark Expressway project would not be available until the Florence Project was fully funded. In December 2013, the JBRC approved the $90 million additional funding for Florence County. SCDOT recently reported that the estimated costs of the project had risen to approximately $725 million from the original $420 million. There have been other material changes in the project, including the change in design from an interstate project to a parkway project that have not been approved by the Bank. The Bank requested that the County secure or provide the additional funding for the project costs above $420 million. The Bank, the County, and SCDOT signed an Amended Intergovernmental Agreement (IGA) January 10, 2019. The Joint Bond Review Committee (JBRC), at its meeting June 4, 2019, took action to authorize up to the full $12 million commitment of the Bank and the matching $12 million commitment of Charleston County to fund the remaining preliminary work as per the Amended IGA.

Florence County Project – Total project funding in the amount of $375 million consisting of a $250 million financial assistance award by the Bank and a contribution from the County from Capital Project Sales Tax in the amount of $125 million. An Intergovernmental Agreement between Florence County, SCDOT, and the Bank was executed on May 3, 2007. The projects are under various stages of preliminary design, right of way, and construction. In August 2012, the Bank approved an additional amount of up to $90 million to complete the Florence County project from future capacity of the Bank. In December of 2013, the Joint JBRC approved the additional $90 million for Florence County. In April of 2016, a First Amended and Restated Intergovernmental Agreement was signed that applied excess Capital Project Sales Tax revenues and interest earnings to the project as part of the County's local contribution.

Berkeley County - Sheep Island Interchange Project. On February 6, 2009, the Bank approved loan I in the amount of $6.401 million and loan II in the amount of $22.563 million for the Jedburg I-26 Interchange Project. An intergovernmental agreement has been executed for loan I. Berkeley began drawing down the loan I funds in September 2009. As of June 30, 2020 Berkeley had drawn the entire amount. Phase II of the loan is contingent upon the Bank's ability to pledge the repayments to revenue bonds. On May 15, 2009, the Bank also approved a $2.1 million grant to Berkeley County for the Sheep Island Interchange project. In February 2011 the Bank approved a request by Berkeley County to provide a grant not to exceed $6.5 million to complete the funding for the Sheep Island Interchange Project. An Intergovernmental Agreement has been executed. All financial assistance to be provided by the Bank has been expended as of fiscal year 2018.

Berkeley County – I-26 Widening - In January 2012 the Bank approved an additional $15 million for widening a portion of I-26 from mile marker 199 to approximately mile marker 197 to facilitate the interchange project previously approved. All financial assistance to be provided by the Bank has been expended as of fiscal year 2018.

In February 2012, the Bank approved funding in the form of grants to fund various component projects of previously approved applications. Intergovernmental agreements have been executed for four projects (Beaufort, Dorchester, Jasper/Hardeeville, and City of Aiken):

Beaufort County - The Bank approved financial assistance in the form of a grant up to $24.9 million for the widening of SC 170 which is a component of the Beaufort approved project. The project was completed and closed during 2017.

Dorchester County – The Bank approved financial assistance in the form of a grant up to $19 million for the Widening of SC Highway 165 from two lanes to five lanes from Carolinian to Ashley Ridge High School, U.S. Highway 78 Phase 3 Right-of-Way, U.S. Highway 78 and Deming Way Intersection Improvement, and Orangeburg Road and Butternut Road Intersection Improvement which are components of the Dorchester project.

The Bank approved financial assistance in the form of a grant of up to $30 million for improvements to the Berlin G. Myers Parkway at its April 20, 2015 meeting. The project was approved by the JBRC at their June meeting. Permit issues have delayed the signing of the intergovernmental agreement. SCDOT is working on resolving the issues along with the county.

The Bank approved financial assistance in the form of a grant of up to $4 million for additional costs for the Widening of SC Highway 165 at their May 26, 2016 meeting. The project was approved by the JBRC at their September meeting.

Jasper County/City of Hardeeville - The Bank approved financial assistance in the form of a grant up to $3.9 million for new Exit 3 interchange on I-95 – Interchange Justification Reports and NEPA processes component of the Jasper/City of Hardeeville project. At its meeting June 26, 2018, the Board of Directors voted to decline to extend the date by which the component project must be completed and waived its right to recover the funds spent by the Bank on the project to date. $1.4 million dollars had been expended as of that date.

City of Aiken – The Bank approved financial assistance in the form of a grant up to $13.5 million for the Hitchcock Parkway widening, University Parkway widening, and Intersection Improvement at Dougherty & Whiskey Road, which are components of the Aiken, approved project.

In September of 2014, the City of Aiken requested and was granted a scope change to the components of the approved project. Hitchcock Parkway was removed; University Parkway received an additional $1.6 million; and the Dougherty Road/Whiskey Road Project received an additional $700,000. The remaining $7.3 million was returned to the Bank.

Both component projects are being reviewed by the Board for approval of deadline extension requests by the City.

City of Charleston – The Bank approved financial assistance in the form of a grant for $88 million from resources available beginning in fiscal year 2017 for the US17/Septima Clark Transportation and Drainage Improvement Project. This project is currently under construction.

B. Intergovernmental agreements utilizing ACT 98 Funding

The S.C. General Assembly passed Act 98 during its 2013 Session. The legislation provides that $50 million per year transferred from SCDOT to the Bank "must be used solely by the bank to finance bridge replacement, rehabilitation projects, and expansion and improvements to existing mainline interstates". From the list of projects provided by SCDOT, the following projects were approved by the Bank and subsequently by the Joint Bond Review Committee (JBRC) in December of 2013.

Act 98 Greenville I-85/I-385 Interchange - The Bank approved financial assistance in the form of a grant to provide $80 million to reconfigure the interchange to improve safety and capacity. An additional through lane in each direction will be provided along I-385. Structures along I-85 will be designed to accommodate an additional lane in each direction in the future. Scope also includes rehabilitation of the northbound lane, improvements at the Garlington Road and Woodruff Road intersection, and improvements at the northbound I-85 ramp at Woodruff Road. The total cost estimate for the design build contract, construction, engineering, inspection, and project management is $270 million.

Act 98 Lexington County I-20 Widening - The Bank approved financial assistance in the form of a grant to provide up to $154.7 million to widen I-20 with a third travel lane to the median in each direction for approximately 11 miles. The widening will begin just west of US 378 and terminate west of Longs Pond Road.

Act 98 Cherokee/Spartanburg I-85 Widening - The Bank approved financial assistance in the form of a grant to provide up to $262 million for phase one and two for the widening of I-85 from four to six lanes for approximately 16 miles. Most of the widening will occur toward the median. The project includes intersection improvements, railroad-crossing replacement, and bridge improvements.

Act 98 Richland County I-77 Widening - The Bank approved financial assistance in the form of a grant to provide up to $38.7 million to widen I-77 with a third travel lane to the median in each direction for approximately seven miles. The widening will begin just south of I-20 and terminate at Killian Road. The project will also include the widening or replacement of the north and southbound bridges at five locations.

Act 98 Richland/Lexington PE I-26/I-20 - The Bank approved financial assistance in the form of a grant to provide up to $10 million for preliminary engineering for the area generally defined as I-20 from the Saluda River to the Broad River, I-26 from US 378 to Broad River Road, and I-126 from Colonial Life Boulevard to I-26. The project includes the development of an Environmental Impact Statement (EIS) that will identify and access the impacts of solutions to reduce congestion, improve traffic operations, increase safety and capacity.

Act 98 PE Cherokee County I-85 Phase III - The Bank approved financial assistance in the form of a grant to provide up to $4 million for preliminary engineering for Phase Three of I-85 Widening in Cherokee County. The project includes widening the interstate from four lanes to six for approximately 10 miles. The preliminary engineering and environmental document will be developed concurrently with phase one and two.

Act 98 PE Projects- The Bank approved financial assistance in the form of a grant to provide up to $6 million for preliminary engineering on three additional projects at the May 18, 2015 board meeting:

Interstate 26/US 176 to SC 296
Interstate 20 at the Georgia State Line to US 25
Interstate 26 Widening in Berkeley & Dorchester Counties

The projects were approved by the JBRC at their June 3, 2015 meeting.

SCDOT has withdrawn the Interstate 20 project due to an agreement with Georgia to widen the bridge between the states that incorporates the preliminary engineering for this section of Interstate 20 into that project.

Act 40 (2017) repealed the section of Act 98 which transferred $50 million dollars from SCDOT to the Bank for Act 98 projects. SCDOT and the Bank are working out the details to finish using the funds collected by the Bank for Act 98 project expenditures. Once funds held by the Bank are exhausted, SCDOT will take over payment of remaining Act 98 project expenditures.

Outstanding commitments on active projects as of June 30, 2020 are as follows (expressed in millions):

	Total Award	Expenditures Prior	Expenditures Current	Outstanding Commitments 6/30/2020
Horry County RIDE II	$ 254.2	$ 251.1	$ -	$ 3.1
Horry County Sales Tax Project	235.0	174.6	1.7	58.7
Charleston County Mark Clark Project	420.0	42.1	8.5	369.4
Mount Pleasant Project	57.4	54.7	-	2.7
Florence County Project	340.0	267.3	34.6	38.1
Berkeley County I-26 Widening	15.0	15.0	-	-
City of Aiken	6.2	-	-	6.2
Beaufort County SC 170	24.9	24.9	-	-
City of Charleston (beginning 2017)	88.0	25.8	5.6	56.6
Dorchester County	53.0	17.3	0.1	35.6
Jasper County/City of Hardeeville	3.9	1.4	-	2.5
Act 98 Greenville I85/I-385 Interchange	80.0	80.0	-	-
Act 98 Lexington County I-20 Widening	154.7	49.0	20.9	84.8
Act 98 Cherokee/Spartanburg I-85 Widening	262.0	50.5	-	211.5
Act 98 Richland County I-77 Widening	38.7	30.7	-	8.0
Act 98 Richland/Lexington PE I-26/I-20	10.0	10.0	-	-
Act 98 PE Cherokee County I-85 Phase III	4.0	3.7	0.1	0.2
Act 98 PE - (I-26/US176 to SC296, I-26 Widening)	6.0	1.9	0.5	3.6
Totals	$ 2,053.0	$ 1,100.0	$ 72.0	$ 881.0

NOTE 10. DERIVATIVE FINANCIAL INSTRUMENTS:

The Bank's $368.3 million Revenue Refunding Bonds, Series 2003B, were issued in three tranches: Series 2003B-1 in the principal amount of $122.775 million, Series 2003B-2 in the principal amount of $122.750 million, and Series 2003B-3 in the principal amount of $122.775 million. Effective October 1, 2003, the Bank entered into an Interest Rate Exchange Agreement with Bank of America, N.A., relating to the Series 2003B-1 Bonds, an Interest Rate Exchange Agreement with Citibank, N.A., relating to the Series 2003B-2 Bonds, and an Interest Rate Exchange Agreement with Wachovia Bank, N.A. (now Wells Fargo Bank), relating to the Series 2003B-3 Bonds.

On June 18, 2008, the Bank terminated the above referenced Interest Rate Exchange Agreement with Citibank, N.A. and entered into Interest Rate Exchange Agreements with Bank of America, N.A. and Wachovia Bank, N.A. relating to the Series 2003B-2 Bonds. The notional amounts for Bank of America, N.A. are $121.150 million for 2003B-I (Swap #1) and $60.587 million for the 2003B -2A (Swap #2). The notional amounts for Wachovia Bank, N.A. are $120.425 million for the 2003B-3 (Swap #4) and $60.225 million for the 2003B-2B (Swap #3). In return, the respective counterparties will pay the Bank a variable rate equal to 67% of the one-month London Interbank Offered Rate (LIBOR) on such notional amount.

On June 17, 2011 the direct pay letters of credit associated with the Bank's Revenue Refunding Bonds, Series 2003B (the "Series 2003B Bonds") expired. In order to pay off the Series 2003B Bonds, the Bank entered into the following direct placement loans: (1) $180,150,000 Revenue Refunding Bonds, Series 2003B-1-2 with Bank of America, N.A. and (2) $180,100,000 Revenue Refunding Bonds, Series 2003B-2-3 with Wells Fargo Bank, National Association. Both series of bonds have a final maturity of October 1, 2031. The Initial Purchase Date as defined in the Amended and Restated Sixth Series Resolution is June 15, 2016.

On June 15, 2016 Wells Fargo Bank, National Association agreed to purchase all of the outstanding Series 2003B Bonds (all of which will be subject to mandatory tender on June 15, 2019) having the terms provided in this Second Amended and Restated Sixth Series Resolution pursuant to the terms of the Amended and Restated Continuing Covenants Agreement dated June 15, 2016 (the "Continuing Covenant Agreement"), between the Bank and Wells Fargo Bank, National Association.

On June 13, 2019, the Bank effectuated a mandatory tender and remarketing of the Series 2003B Bonds. On that date, (i) the Series 2003B Bonds were subject to mandatory tender at a purchase price equal to the principal amount thereof and interest will be paid in accordance with customary procedures, and (ii) in connection with such mandatory tender for purchase, the Bank amended the Sixth Series Revenue Bond Resolution, to, among other things, specify and modify certain terms and provisions of the Series 2003B Bonds to reflect the terms and provisions of the reoffering. The Series 2003B Bonds were purchased for reoffering by Wells Fargo Bank, National Association and Merrill Lynch, Pierce, Fenner & Smith Incorporated (each, a “Remarketing Agent” and collectively, the “Remarketing Agents”). The Remarketing Agents agreed, subject to certain conditions, to purchase the Series 2003B Bonds at an aggregate purchase price of par. The initial public offering price was set forth on the cover page of Reoffering of $350,375,000 South Carolina Transportation Infrastructure Bank Revenue Bonds, Series 2003B Official Statement. The Remarketing Agents were obligated to purchase all of the Series 2003B Bonds. Proceeds of the reoffering were used to purchase the Series 2003B Bonds were being held by Wells Fargo Bank, National Association.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2020 are classified by type, and the changes in fair value of the derivative instrument are as follows (expressed in thousands):

		Fair Value at June 30, 2019		Fair Value at June 30, 2020		
SWAP	Cash Flow Hedges	Classification	Amount	Classification	Amount	Notional
1	Pay-fixed rate interest swaps	Liability	$24,211	Liability	$30,491	$121,150
2	Pay-fixed rate interest swaps	Liability	12,441	Liability	15,552	60,587
3	Pay-fixed rate interest swaps	Liability	12,441	Liability	15,553	60,225
4	Pay-fixed rate interest swaps	Liability	24,211	Liability	30,493	120,425
			$73,304		$92,089	

GASB Statement No. 72 delineates the following fair value input hierarchy:

Level 1: Quoted prices for identical investments in active markets;
Level 2: Observable inputs other than quoted market prices; and,
Level 3: Unobservable inputs.

The fair value of the interest rate swaps is calculated on a recurring basis using Level 2 inputs. The fair value is calculated using the discounted cash flow methodology which considers the net present value of the future payments from payments to be made or received under the swap. The present value of a “fixed leg” is calculated as the sum of the present values, as of the computation date, of the payment amounts (computed at the fixed swap rate) expected to be paid over the scheduled term of the swap. The value of a “floating leg” is calculated as the sum of the present values, as of the valuation date, of the floating leg payment amounts expected to be paid over the scheduled term of the swap. The floating leg coupon rates are based on the forward rates derived from the relevant interest rate swap yield curve data (e.g., LIBOR, SIFMA, etc.) as of the valuation date. The present value discount factors for each future payment date is determined by the LIBOR swap curve data using the zero-coupon method. The fair value of the non-hedging portion is ($36.709) million and the fair value of the hedging portion is ($55.380) million at June 30, 2020.

Objective and Terms of Hedging Derivative Instrument – The following table displays the objective and terms of the Bank's hedging derivative instrument outstanding at June 30, 2020.

Swap	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
1	Pay-fixed rate interest swaps	Hedge of changes in cash flows of variable debt obligations	$121.150	6/18/2008	10/1/2031	Receive 67% of 1 month LIBOR + 0.0% pay 3.859%	BofA A
2	Pay-fixed rate interest swaps	Hedge of changes in cash flows of variable debt obligations	60.587	6/18/2008	10/1/2031	Receive 67% of 1 month LIBOR + 0.0% pay 3.932%	BofA A
3	Pay-fixed rate interest swaps	Hedge of changes in cash flows of variable debt obligations	60.225	6/18/2008	10/1/2031	Receive 67% of 1 month LIBOR + 0.0% pay 3.932%	Wells Fargo Bank, NA A+
4	Pay-fixed rate interest swaps	Hedge of changes in cash flows of variable debt obligations	120.425	6/18/2008	10/1/2031	Receive 67% of 1 month LIBOR + 0.0% pay 3.859%	Wells Fargo Bank, NA A+

The Bank uses the synthetic instrument method (Swaps 1, 3 and 4) and the regression analysis method (Swap 2) to determine whether the changes in cash flows of the swap substantially offset the changes in cash flows of the bonds. During fiscal year ended June 30, 2020, the Bank made variable bond interest payments in the amount of $5.449 million and fixed rate payments on the swap in the amount of $13.563 million. The Bank also received variable payments on the swap in the amount of $3.907 million. The net of variable payments on the bonds and receipts on the swaps was ($1.541) million. Contingency payments of $1.557 million were also made under the swap agreement.

Credit Risk – Credit risk is the risk that the counterparty will not fulfill its obligations. As of June 30, 2020, the swaps were in liability positions; therefore, the Bank is not exposed to credit risks. However, should interest rate change the market value of the swaps become in asset positions, the Bank would be exposed to credit risks.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the Bank's financial instruments and its cash flows. The Bank is exposed to interest rate risk on its pay-fixed, receive-variable interest rate swaps. As the LIBOR swap index decreases, the Bank's net pay on the swap increases.

Basis Risk – Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedge item are based on different reference rates. The Bank is exposed to basis risk on its pay-fixed interest rate swap hedging instruments because the variable-rate payments received by the Bank on these hedging derivative instruments are based on a rate or index other than interest rates the Bank pays on its hedged variable-rate debt.

Termination Risk – Termination risk is the risk that a hedging derivative instrument's unscheduled end will affect the Bank's financial planning strategy. The obligation of the Bank to make any Termination Payments under the Interest Rate Exchange Agreements is junior and subordinate to the obligation to make debt service payments on revenue bonds. Under certain circumstances, the Interest Rate Exchange Agreements are subject to termination prior to their respective scheduled expiration dates and prior to the maturity of the bonds to which each such Interest Rate Exchange Agreement relates, in which event the Bank may be obligated to make a substantial payment to the respective counterparty ("Termination Payments").

Rollover Risk – Rollover risk is the risk that a hedging instrument associated with a hedgeable item does not extend to the maturity of that hedgeable item. The Bank is not exposed to rollover risks because the hedging derivative instruments associated with the hedgeable debt items extend to the maturity of the hedgeable debt items.

Cancellations - Due to the refunding of the 2003B bonds mentioned previously, a portion of the interest rate swap was considered terminated under the provisions of GASB Statement 53. The 2003B bonds on which the interest rate swaps were based had changed and therefore the original interest rate swap was deemed to be terminated for accounting purposes although there was no actual termination of the swap. GASB 53 requires the fair value of the swap at the time of termination, to be deferred and amortized as a component of interest expense over the life of the refunded debt.

At the time of the refunding, the swap counterparties quoted fixed interest rates that they would require if the Bank had entered into a new swap at the date of the refunding. Although the Bank did not enter into a new swap, the rates were used to calculate a new market rate, which is to be considered “on market”, and the difference between the current market rate and the original fixed rate is to be considered “off market”. These amounts are used to amortize the derivative instrument liability that existed at the date of the refunding over the remaining life of the swap as a component of interest expense. The “on market” portion is also still considered a hedging derivative instrument based on the synthetic and regression analysis methods as has been discussed previously in this note.

The amortization of the “off market” derivative instrument liability, which was recorded under GASB Statement 53, amounted to $3.779 million, which was a reduction of interest expense, and the balance at June 30, 2020 was $36.709 million. Amortization related to the amount included in the deferred loss on refunding amounted to $3.779 million, which was charged to interest expense, and the balance at June 30, 2020 was $36.709 million and is part of the deferred loss on refunding bonds on the Statement of Net Position.

The deferred outflow of the interest rate swap and the two derivative instrument liabilities are reported on the statement of net position. Debt service payments on the 2003B Revenue Refunding Bonds are disclosed in Note 5.

Note 11. Pension Plans

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System (SCRS), a cost–sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under the SCRS system is presented below.

• SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees, teachers, and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of the benefit terms for the SCRS system is presented below.

• SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for SCRS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

Required employee contribution rates[1] are as follows:

	Fiscal Year 2020	Fiscal Year 2019
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%

Required employer contribution rates[1] are as follows:

	Fiscal Year 2020	Fiscal Year 2019
SCRS		
Employer Class Two	15.41%	14.41%
Employer Class Three	15.41%	14.41%
Employer Incidental Death Benefit	0.15%	0.15%

[1] Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of laws.

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2019, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2019.

	SCRS
Actuarial cost method	Entry age normal
Investment rate of return[1]	7.25%
Projected salary increases[1]	3.0% to 12.5% (varies by service)
Benefit adjustments	lesser of 1% or $500 annually

[1] *Includes inflation at 2.25%*

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2019, TPL are as follows.

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2019, for SCRS is presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	$ 50,073,060,256	$ 27,238,916,138	$ 22,834,144,118	54.4%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

The Bank's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the year ending June 30, 2019, the Bank's percentage of the SCRS net pension liability was 0.001954%. For the year ending June 30, 2020, the Bank's percentage of the SCRS net pension liability was 0.001940%, which is a decrease of 0.000014%. The Bank's proportionate share is determined by its percentage of total contributions to SCRS during the respective fiscal year. The change in percentage resulted in the Bank's recognizing a change in its proportionate share of the SCRS net pension liability at related deferred outflows and inflows of resources.

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

The estimated long term expected portfolio real rate of return is as follows:

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	**51.0%**		
Global Public Equity[1,2]	35.0%	7.29%	2.55%
Private Equity[2,3]	9.0%	7.67%	0.69%
Equity Options Strategies[1]	7.0%	5.23%	0.37%
Real Assets	**12.0%**		
Real Estate (Private)[2,3]	8.0%	5.59%	0.45%
Real Estate (REITs)[2]	1.0%	8.16%	0.08%
Infrastructure (Private)[2,3]	2.0%	5.03%	0.10%
Infrastructure (Public)[2]	1.0%	6.12%	0.06%
Opportunistic	**8.0%**		
Global Tactical Asset Allocation[1]	7.0%	3.09%	0..22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
Credit	**15.0%**		
High Yield Bonds/ Bank Loans[1,2]	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt[2,3]	7.0%	5.49%	0.38%
Rate Sensitive	**14.0%**		
Core Fixed Income[1]	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
Total Expected Real Return[4]	100.0%		5.41%
Inflation for Actuarial Purposes			2.25%
			7.66%

[1] Portable Alpha Strategies will be capped at 12% of total assets; Hedge funds (including all hedge funds used in portable alpha implementation) capped at 20% of total assets.

[2] The target weights to Private Equity, Private Debt, Private Infrastructure and Private Real Estate will be equal to their actual weights as of prior month end. Private Equity and Public Equity combine for 44 percent of entire portfolio. Private Debt and High Yield/Bank Loans combine for 11 percent of the entire portfolio. Private Infrastructure and Public Infrastructure combine for 3 percent of the entire portfolio. Private Real Estate and Real Estate (REITs) combine for 9 percent of entire portfolio.

[3] RSIC staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

[4] The expected return for each of the Portable Alpha asset classes includes the expected return attributed to the Overlay Program. For benchmarking purposes there is a 10% weight assigned to Portable Alpha Hedge Funds in the Policy Benchmark.

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate (in thousands)			
System	**1.00% Decrease (6.25%)**	**Current Discount Rate (7.25%)**	**1.00% Increase (8.25%)**
SCRS	$ 558	$ 443	$ 347

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2020, the Bank recognized pension expense of $39 thousand, which is included in employer fringe benefits in the accompanying financial statements. At June 30, 2020, the Bank reported deferred outflows (inflows) of resources related to pensions from the following sources and will be amortized to pension expense as noted in following schedules. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2020 was 4.073 years for SCRS:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 23	$ —
Differences in actual and expected plan experience	-	3
Change in proportionate share and differences between the Bank's contributions and proportionate share of contributions	11	5
Changes in assumptions	9	—
Net differences between projected and actual earnings on plan investments	4	—
	$ 47	$ 8

Measurement Period Ending June 30,	**Fiscal Year Ending June 30,**	**SCRS**
2020	2021	$ 14
2021	2022	1
2022	2023	0
2023	2024	1
2024	2025	0

The Bank reported $23 thousand as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

NOTE 12. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

The South Carolina Public Employee Benefit Authority (PEBA) was created by the South Carolina General Assembly as part of Act No. 278 effective July 1, 2012. PEBA – Insurance Benefits is a state agency responsible for the administration and management of the state's employee insurance programs, other post-employment benefits trusts and retirement systems and is part of the State of South Carolina primary government.

The governing board of PEBA is a board of 11 members. The membership composition is three members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate, two members appointed by the Chairman of the Senate Finance Committee, two members appointed by the Speaker of the House of Representatives and two members appointed by the Chairman of the House Ways and Means Committee. Individuals appointed to the PEBA board must possess certain qualifications. Members of the PEBA board serve for terms of two years and until their successors are appointed and qualify. Terms commence on

July first of even numbered years. The PEBA board appoints the Executive Director. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of PEBA. By law, the State Fiscal Accountability Authority (SFFA), which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other post-employment benefits (OPEB).

Plan Description

The Other Post-Employment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective in May, 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan.

In accordance with Act 195, the OPEB Trusts are administered by the PEBA – Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit OPEB plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability.

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires the postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retirees to the PEBA – Insurance Benefits. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge for the year ended June 30, 2019 was 6.05 percent. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income.

The SCLTDITF is funded through employer contributions for active employees that elect health insurance coverage. For this group of active employees, PEBA – Insurance Benefits bills and collects premiums charged to State agencies, public school districts and other participating local governments. The monthly premium per active employee was $3.22 for the fiscal year ended June 30, 2019. The SCLTDITF premium is billed monthly by PEBA – Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

The allocation percentage of the OPEB amounts are calculated differently for each OPEB Trust. For the SCRHITF, the allocation percentage is based on the covered payroll surcharge contribution for each employer. Please note that actual covered payroll contributions received from SCRS for the fiscal year 2019 totaled $529,122,849. However, the covered payroll contributions total includes prior year covered payroll contribution adjustments and true-ups that net to a total of $190,548.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

PEBA – Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the PEBA – Insurance Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2018
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.13% as of June 30, 2019
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South

	Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years
Retiree Participation:	79% for retirees who are eligible for funded premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
Notes:	There were no benefit changes during the current year; the discount rate changed from 3.62% as of June 30, 2018 to 3.13% as of June 30, 2019; minor updates were made to the healthcare trend rate assumption

Roll Forward Disclosures

The actuarial valuations were performed as of June 30, 2018. Update procedures were used to roll forward the total OPEB liabilities to June 30, 2019.

Net OPEB Liability

The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less that Trust's fiduciary net position. The allocation of each employer's proportionate share of the collective Net OPEB Liability and collective OPEB Expense was determined using the employer's payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort as well as be transparent to individual employers and their external auditors.

The following table represents the components of the net OPEB liability as of June 30, 2019, 2018, and 2017:

SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND

Fiscal Year Ending	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a % of Total OPEB Liability
June 30, 2017	$ 14,659,610,970	$ 1,114,774,760	$ 13,544,836,210	7.60%
June 30, 2018	$ 15,387,115,010	$ 1,216,530,062	$ 14,170,584,948	7.91%
June 30, 2019	$ 16,516,264,617	$ 1,394,740,049	$ 15,121,524,568	8.44%

The TOL is calculated by the Trusts' actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The NOL is disclosed in accordance with the requirements of GASB No. 74 in the Trusts' notes to the financial statements and required supplementary information. Liability calculations performed by the Trusts' actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 and are not applicable for other purposes, such as determining the Trusts' funding requirements.

At June 30, 2020, the Bank reported a liability of $354,297 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward to June 30, 2019. The Bank's proportion of the net OPEB liability was based on a projection of the Bank's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the Bank's proportion was 0.002348%, a decrease of 0.000141% from the prior year proportion.

Single Discount Rate

The Single Discount Rate of 3.13% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

Long-term Expected Rate of Return

The long-term expected rate of return represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	0.60%	0.48%
Cash equivalents	20.00%	0.10%	0.02%
Total	100.00%		0.50%
Expected Inflation			2.25%
Total Return			2.75%
Investment Return Assumption			**2.75%**

Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.13%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Sensitivity of the Proportional Share of Net OPEB Liability to Changes in the Single Discount Rate (in thousands)			
OPEB Trust	1.00% Decrease (2.13%)	Current Discount Rate (3.13%)	1.00% Increase (4.13%)
SCRHITF	$ 420	$ 354	$ 302

Regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

Sensitivity of the Proportional Share of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (in thousands)			
OPEB Trust	1.00% Decrease	Current Health Care Cost Trend	1.00% Increase
SCRHITF	$ 289	$ 354	$ 439

OPEB Expense

Components of collective OPEB expense reported in the Schedule of OPEB Amounts by Employer for the fiscal year ended June 30, 2020 are presented below.

Description		SCRHITF
Service Cost	$	11,971
Interest on the Total OPEB Liability		13,041
Projected Earnings on Plan Investments		(1,187)
OPEB Plan Administrative Expense		21
Recognition of Outflow (Inflow) of Resources due to Liabilities		(2,356)
Recognition of Outflow (Inflow) of Resources due to Assets		226
Total Aggregate OPEB Expense	**$**	**21,715**

Additional items included in Total Employer OPEB Expense are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective NOL and differences between actual employer contributions and proportionate share of total plan employer contributions.

OPEB Deferred Outflows and Inflows of Resources

As discussed in paragraph 86 of GASB Statement No. 75, differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan (active and inactive members) determined as of the beginning of the measurement period.

Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

The schedules on the following pages reflects the amortization of collective deferred outflows/(inflows) of resources related to OPEB outstanding at June 30, 2020.

As a reminder, in addition to recognizing a proportionate share of the deferred outflows and inflows shown on the following page, employers will also need to establish:
a. Deferred outflows and inflows related to changes in proportionate shares and differences between contributions and proportionate share of contributions;
b. A deferred outflow related to contributions made after the measurement date. This deferred outflow should include payroll-related surcharge contributions and implicit subsidies.

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 23	$ -
Differences in actual and expected plan experience	4	12
Changes in assumptions	24	22
Changes in Proportionate share and differences between the Bank's contributions and proportionate share of contributions	15	1
Net differences between projected and actual earnings on plan investments	1	-
	$ 67	$ 35

Contributions subsequent to the measurement date were reported as deferred outflows of resources related to OPEB and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows.

Measurement Period Ending June 30,	Fiscal Year, Ending June 30	SCRHITF
2020	2021	$ (1)
2021	2022	(1)
2022	2023	(1)
2023	2024	0
2024	2025	(4)
Thereafter		(2)

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of OPEB Amounts by Employer (the Schedules) were compiled from the OPEB Trust Funds audited financial statements for the fiscal year ended June 30, 2019, and the accounting and financial reporting actuarial valuations as of June 30, 2019. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the OPEB Trust Funds audited financial statements. Employers are encouraged to review Illustration II in Appendix C of GASB Statement No. 75, which provides a sample footnote disclosure and required supplementary information for a cost-sharing multiple-employer defined benefit OPEB plan.

NOTE 13. OTHER MATTERS:

The Bank is involved in various legal matters. While the outcome of these matters is uncertain by nature, Bank management and the Bank's legal counsel are not aware of any matters that currently represent a loss contingency that would need to be recorded or disclosed in these financial statements.

South Carolina Transportation Infrastructure Bank
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
Governmental Fund
For the Fiscal Year Ended June 30, 2020
(in thousands)

	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Expenditures				
Administration				
Classified positions	$ 400	$ 400	$ 248	152
Other personal services	25	25	8	17
Other operating expenses	283	283	415	(132)
Transportation infrastructure	130,090	130,090	48,317	81,773
Employer contributions	178	178	92	86
Total expenditures	$ 130,976	$ 130,976	$ 49,080	$ 81,896

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2020

NOTE 1. BUDGETARY FUNDS:

South Carolina's Annual Appropriation Act, the State's legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for the following two funds:

General Funds. These funds are general operating funds. The resources in the funds are primarily taxes. The State expends General Funds to provide traditional State government services.

Total Funds. The Total Funds column in the Appropriations Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities but exclude the pension trust funds and some other fiduciary fund activities.

The Bank's legally adopted budget is part of the Total Funds budget for the State. It is presented for the Infrastructure Bank Board at the program level. However, not all of the Bank's funds are legally budgeted and therefore, the budgetary comparison schedule only includes funds legally budgeted by the State.

NOTE 2. ORIGINAL AND FINAL BUDGETED AMOUNTS; BASIS OF PRESENTATION:

The original appropriations presented in the accompanying schedule for the Infrastructure Bank Board include amounts in the Appropriations Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classification, and format of the appropriations section of the accompanying schedule for department's governmental fund are substantively the same as for the legally enacted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds, which include the Infrastructure Bank Board. However, Section 115 (Recapitulations) of the Appropriation Act includes net source of funds amounts (i.e. estimated cash brought forward from the previous fiscal year plus estimated revenue for the current fiscal year minus estimated cash to be carried forward to the following fiscal year) for three categories of Other Budgeted Funds: Federal, Earmarked, and Restricted. A budget versus actual comparison for the Infrastructure Bank Board is presented as required supplementary information.

As operating conditions change, the Bank may move appropriations between programs and classifications within programs. However, limits are placed on increasing/decreasing authorizations for personal services without SFAA approval. Also, a revision of budgeted amounts over and above the total revenues appropriated requires approval of the SFAA.

NOTE 3: LEGAL LEVEL OF BUDGETARY CONTROL:

The Bank maintains budgetary control at the level of summary objective category of expenditure within each program of each department or agency, which is the level of detail presented in the accompanying schedule.

NOTE 4: BASIS OF BUDGETING:

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. The Bank has authorization to carry over unexpended funds.

State law does not precisely define the State's basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

- Cash-basis accounting for payroll expenditures is used, while the accrual basis is used for other expenditures.
- Departments and agencies shall charge certain vendor and inter-fund payments against the preceding fiscal year's appropriations through July 15.
- The motor fuel user fees are recorded on the modified accrual basis in accordance with State law.
- All other revenues are recorded only when the State receives the related cash.

NOTE 5: RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES:

Adjustments of the GAAP basis of accounting to the budgetary basis of accounting consist primarily of reclassifications from financial statement classifications to budgetary fund categories, the accrual, reversal of accounts payable, payroll, and related fringe benefits, which exceed the cut off for the Bank to charge the previous fiscal year's appropriations. Additionally, a significant portion of the Bank's expenditures are unbudgeted as the funding source, principally pledged revenues, is held by the South Carolina State Treasurer. The Bank must request transfer of pledged revenue funds from the Treasurer before expending the funds, however, these expenditures are not budgeted by the State. As not all of the Bank's expenditure activity is budgeted, a reconciliation of budget to GAAP basis differences is not provided.

South Carolina Transportation Infrastructure Bank
Required Supplementary Information -
Schedule of the South Carolina Transportation Infrastructure Bank's
Proportionate Share of the Net Pension Liability –
South Carolina Retirement System
As of June 30, 2020
Last Five Fiscal Years

	2020	2019	2018	2017	2016
Bank's proportion of the net pension liability	0.0019400%	0.0019540%	0.0018450%	0.001856%	0.002270%
Bank's proportionate share of the net pension liability	$ 442,982	$ 439,832	$ 415,339	$ 396,814	$ 430,871
Bank's covered payroll	$ 204,894	$ 204,894	$ 189,461	$ 209,855	$ 209,376
Bank's proportionate share of the net pension liability as percentage of covered payroll	216.20%	214.66%	219.22%	189.09%	189.66%
Plan fiduciary net position as a percentage of the total pension liability	54.4%	54.1%	53.3%	52.9%	57.0%

Note: The amounts presented above were determined as of June 30th of the preceding year. Prior to the year ended June 30, 2014, the Bank did not perform the payroll function for its employees as these duties were performed and paid by the South Carolina Department of Transportation. Therefore, information prior to June 30, 2014 is not available.

South Carolina Transportation Infrastructure Bank
Required Supplementary Information -
Schedule of the South Carolina Transportation Infrastructure Bank's Contributions –
South Carolina Retirement System
As of June 30, 2020
Last Six Fiscal Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 23,040	$ 27,458	$ 27,952	$ 21,901	$ 23,210	$ 22,822
Contributions in relation to the contractually required contribution	23,040	27,458	27,952	21,901	23,210	22,822
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Bank's covered payroll	$ 204,894	$ 204,894	$ 206,135	$ 189,461	$ 209,855	$ 209,376
Contributions as a percentage of covered payroll	14.56%	13.41%	13.56%	11.36%	11.06%	10.90%

Note 1: Prior to the year ended June 30, 2014, the Bank did not perform the payroll function for its employees as these duties were performed and paid by the South Carolina Department of Transportation. Therefore, information prior to June 30, 2014 is not available.

Actuarial Valuation Date:	July 1, 2017
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	5-year Smoothed
Amortization Method:	Lever Percentage of Pay
Amortization Period as of the Actuarial Valuation Date:	Thirty (30) Years, Closed
Investment Return:	7.25%, Including Inflation
Inflation:	2.25%
Salary Increases:	3.00% plus step increases for members with less than 21 years of service
Mortality:	The 2016 Public Retirees of South Carolina Mortality Tables for Males and Females both projected at Scale AA from the year 2016. Male rates multiplied by 100% and female rates multiplied by 111%.

Note 2: Contribution rates for fiscal year 2018 and forward are determined in accordance with the Retirement Systems Funding and Administration Act of 2017.

South Carolina Transportation Infrastructure Bank
Required Supplementary Information -
Schedule of the South Carolina Transportation Infrastructure Bank's
Proportionate Share of the Net OPEB Liability –
South Carolina Health Insurance Trust Fund
As of June 30, 2020
Last Three Fiscal Years

	2020	2019	2018
Bank's proportion of the net OPEB liability	0.002343%	0.0023480%	0.0022070%
Bank's proportionate share of the net OPEB liability	$ 354,297	$ 332,735	$ 298,939
Bank's covered payroll	$ 192,947	$ 183,636	$ 170,450
Bank's proportionate share of the net OPEB liability as percentage of covered payroll	162.39%	172.45%	175.38%
Plan fiduciary net position as a percentage of the total OPEB liability	8.44%	7.91%	7.60%

Note: Only three years of data was available; thus, only three years is presented.

South Carolina Transportation Infrastructure Bank
Required Supplementary Information -
Schedule of the South Carolina Transportation Infrastructure Bank's Contributions –
South Carolina Health Insurance Trust Fund
As of June 30, 2020
Last Four Fiscal Years

	2020	2019	2018	2017
Contractually required contribution	$ 12,896	$ 14,096	$ 10,100	$ 9,085
Contributions in relation to the contractually required	12,396	14,096	10,100	9,085
Contribution deficiency (excess) contribution	$ -	$ -	$ -	$ -
Bank's covered payroll	$ 204,894	$ 192,947	$ 183,636	$ 170,450
Contributions as a percentage of covered payroll	6.05%	7.31%	5.50%	5.33%

Note: Only four years of data were available; thus, only four years are presented.

COMPLIANCE SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mr. George L. Kennedy, III, CPA
State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina

Members of the Board of Directors
South Carolina Transportation Infrastructure Bank
Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of **the South Carolina Transportation Infrastructure Bank** (the "Bank"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Bank's basic financial statements, and have issued our report thereon dated September 30, 2020. Our report includes a reference to the fact that the Bank's financial statements are intended to present the financial position and changes in financial position of only that portion of the governmental activities and the major fund of the State of South Carolina that is attributable to the transactions of the Bank.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bank's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bank's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Columbia, South Carolina
September 30, 2020